

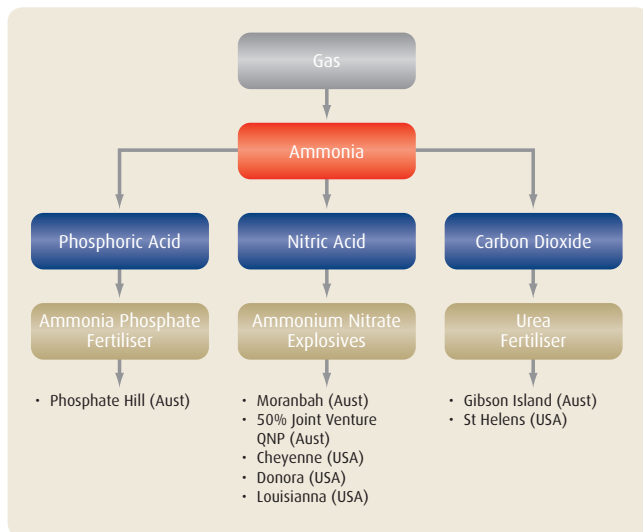
# SUSTAINABILITY REPORT 2011



Nitrogen-based chemical manufacturing: The core of what we do

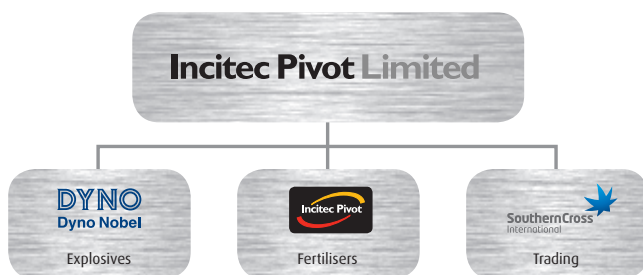
# WHO WE ARE AND WHAT WE DO

Incitec Pivot Limited (IPL) develops, manufactures and distributes nitrogen-based industrial explosives and fertilisers as well as associated products and services.



We are a global company with material operations in Australia, Indonesia, the United States, Canada and Turkey (excluding joint venture operations). Our manufacturing operations in these countries produce ammonium nitrate, industrial explosives, initiating systems, industrial chemicals and fertilisers. See the map of our operating locations on the back cover of this Report.

The Company is headquartered in Melbourne, Australia and employs approximately 5,000 people globally. Our revenues for the year ended 30 September 2011 were \$3,906.3 million. Details of our capitalisation can be found in our Annual Report, available from [www.incitecpivot.com.au](http://www.incitecpivot.com.au).



The Company consists of three operating divisions:

## Explosives

Our explosives business, Dyno Nobel ([www.dynonobel.com](http://www.dynonobel.com)), is a leading supplier of industrial explosives and blasting services to the mining, quarrying, seismic and construction industries. Dyno Nobel is the market leader in North America – the largest explosives market in the world – and the second-largest supplier in Australia – the third-largest explosives market in the world.

Our explosives products and services include:

- > ammonium nitrate (AN) based explosives (either bulk or packaged);
- > blast initiation systems;

- > distribution and delivery systems to transport explosives and other materials necessary to prepare explosives on site; and
- > a range of on-site services to support the blasting process, allowing customers to blast more effectively and obtain cost and carbon savings along the entire mining value chain.

Dyno Nobel supplies approximately 1.5 million tonnes of ammonium nitrate-based explosives each year to customers that include mining companies and their suppliers, quarries and companies supporting the construction industry.

## Fertilisers

Our fertiliser business, Incitec Pivot Fertilisers (IPF), is a key supplier to the agricultural sector, supplying approximately two million tonnes of fertiliser a year across eastern Australia.

IPF distributes both fertilisers manufactured by our Australian operations as well as imported fertilisers. It operates through a comprehensive network of more than 200 distributors.

Its core product range includes urea, ammonium phosphates, single superphosphate and anhydrous ammonia. In addition to this base range, IPF supplies a number of differentiated fertiliser products to provide Australian farmers with products that meet their precise nutrient and condition requirements, such as Granulock®, Green Urea™, Gran-Am®, ENTEC® and EASY Liquids®. Across the range, IPF offers application flexibility by providing fertiliser in a number of different forms: granulated, liquid or gas.

With a long-term commitment to investment into soil nutrition research, IPF is the leading provider of nutrition advice for farmers and customers. Agronomic services include IPF's Nutrient Advantage (NA) laboratory. The NA laboratory is one of very few with both National Association of Testing Authorities (NATA) and Australasian Soil and Plant Analysis Council (ASPAC) accreditation. The laboratory offers soil, plant and water analysis, with interpretation of analysis, nutrient calculations and recommendations. More information is available at [www.incitecpivotfertilisers.com.au](http://www.incitecpivotfertilisers.com.au).

## Trading

Our trading business, Southern Cross International, markets products from Incitec Pivot's manufacturing plants as well as products manufactured by other fertiliser manufacturers and procures raw materials for Incitec Pivot's manufacturing operations. The business is complemented by the activities of Quantum Fertilisers, which is a major global trader of raw materials based in Hong Kong.

## Joint ventures

The Company participates in 35 joint ventures, ranging from 25% to 51% ownership interest, as listed in the Company's Annual Report.



I am pleased to introduce Incitec Pivot Limited's 2011 Sustainability Report, the third such report we have published. This Report marks a step change in the level of our reporting, being the first to use the Global Reporting Initiative's Guidelines for sustainability reporting, with the corresponding emphasis on materiality, transparency and data accuracy. Preparing this Report using these Guidelines allows our sustainability performance to be compared against others' and provides stakeholders with the information they need to make decisions such as whether to invest in our Company, whether to work with us and whether to buy our products.

This Report also marks the end of the first full year that our sustainability strategy has been in place. I'm pleased to report that our sustainability agenda of Use Less; Get Close; Be Responsible is being embedded across the organisation and we are starting to deliver results in the five keystone sustainability projects that form a core part of the agenda. Continuing work on these projects will remain a sustainability priority for the medium term.

We recognise that we are at the start of our sustainability journey. We also recognise that embedding sustainability into our core business processes is an essential part of being an ASX50 company that has operations in multiple countries around the world. As part of embedding sustainability into our core business processes we completed an assessment of our sustainability risks and opportunities, as detailed in the 'Economic' section of this report. We will continue to manage these as part of our ongoing business operations.

I am encouraged that we are on the right track – this year for the second time we were included in the Australian SAM Sustainability Index (AuSSI), part of the Dow Jones Sustainability Indexes (DJSI) family – the leading reference point in the growing field of sustainability investing. Our score increased in 2011 compared with 2010, recognising the importance of sustainability performance to the overall financial performance of our Company.

Our sustainability achievements for the year include a nearly 19% decrease in our workplace injury frequency rate, a 16% score improvement in our Employee Engagement survey results, over 800 employees completed our Leadership Development program, our environmental incidents remained low and we received no fines for non-compliance with environmental laws.

In 2011, the Australian Government introduced the Clean Energy legislative package. As a large greenhouse gas emitter in Australia, responding to the introduction of carbon pricing will be a key sustainability priority for us in the short term.

Our other short to medium term priorities will include our continuing work on achieving our safety goal, Zero Harm as well as building a high performance organisation through effective leadership and people processes. We also plan to release our reduction targets for greenhouse gas emissions, water use and waste to landfill that will drive our operations to be more efficient, in environmental terms, at converting raw materials into final product. The diversity of our workforce and of our leadership will continue to be an area of focus as will the continuous improvement of our manufacturing and business processes with our new business system, 'BEX'.

I believe this Report provides a balanced and reasonable representation of the sustainability performance of Incitec Pivot. I invite you to read it and welcome any feedback you may have.

**James Fazzino**  
Managing Director & CEO

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# OUR APPROACH TO SUSTAINABILITY

We are at the beginning of our sustainability journey. With the acquisition of Dyno Nobel in 2008, the Company grew by approximately 30% and saw us enter the Australian Securities Exchange ASX50 (top 50 companies by market capitalisation). It also transformed us into a multinational organisation, with operations across many countries. This fundamental change in our Company was an ideal opportunity to determine our approach to sustainability and what our sustainability priorities should be.

## Our Company's Values

Our approach to sustainability is a product of our culture which is based upon our seven Values. Our Values were developed by our employees and have been adopted across the Group and are integral to the day-to-day decision-making process of everyone in the Company.



## Our sustainability strategy

In September 2010 we agreed our sustainability strategy after a comprehensive development process, including internal employee interviews. Our sustainability strategy makes a commitment to 'the creation of long term economic value whilst caring for our people, our communities and our environment'. Our commitment to sustainability is reflected in IPL's Values and aligns with our Group strategy.

The creation of long term economic value whilst caring for our people, our communities and our environment

**Incitec Pivot Limited's sustainability position**

## Our sustainability agenda

To implement this strategy, we developed a three year agenda to focus our actions over the next three years.

This agenda consists of three key priorities:

### Use less:

We will be more efficient in our use of non-renewable resources

### Get close:

We will proactively engage with our communities

### Be responsible:

We will work with our customers to improve product life cycle sustainability

## Implementing our plan

Five projects have been chosen as the keystone of the agenda. These projects have been selected from the risks and opportunities review conducted when developing the sustainability strategy. They are an important component of our strategy. The selected keystone projects:

- > will create long term value;
- > represent immediate opportunities;
- > align with Group strategy; and
- > align with Company Values.

These projects are:

1. Use less energy and water and produce less waste within our operations;
2. Develop and implement global community spend guidelines and reporting so that we can prioritise and measure our efforts in terms of investment in the communities in which we operate;
3. Develop and implement a global indigenous employment program;
4. Research Enhanced Efficiency Fertilisers ('EEF'); and
5. Develop and implement processes to reuse customer waste oil to replace virgin oils used to manufacture explosives.

These keystone projects are discussed in detail later in this Report.

## Determining the content of the Report

Our reporting is based on the internationally recognised G3.1 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

Using the Guidelines, the social, environmental and economic topics associated with our current business plans, strategy, risks and opportunities were identified. Additionally, an analysis was conducted to determine the sustainability topics that our customers, competitors, industry groups and peers consider important.

The GRI indicators corresponding to topics were then identified. A materiality test was then applied to the GRI indicators, taking into account reasonably estimable sustainability impacts, risks, or opportunities (e.g., global warming, HIV-AIDS, poverty) identified through sound investigation by people with recognised expertise, or by expert bodies with recognised credentials in the field.

### Significance to stakeholders, including:

- > main sustainability interests/topics and Indicators raised by stakeholders (e.g., vulnerable groups within local communities, civil society);
- > the main topics and future challenges for the sector reported by peers and competitors; and
- > relevant laws, regulations, international agreements, or voluntary agreements with strategic significance to the organisation and its stakeholders.

### Significance to the organisation, including:

- > key organisational values, policies, strategies, operational management systems, goals and targets;
- > the interests/expectations of stakeholders specifically invested in the success of the organisation (e.g., employees, shareholders, and suppliers);
- > significant risks to the organisation;
- > critical factors for enabling organisational success; and
- > the core competencies of the organisation and the manner in which we can or could contribute to sustainable development.

From these results we derived the structure for this Report and the main contents.

## Awards and recognition

IPL was awarded Corporate Treasury Team of the Year at the CFO DealBook Awards 2011 in September 2011.

The CFO DealBook Awards recognise the achievements of the very best in Australian finance over the past 12 months.

IPL is a member of the Australian SAM Sustainability Index.



## Stakeholder engagement

Stakeholder views are important to us and influence our business decisions. We engage regularly with a wide range of internal and external stakeholders, listening to their suggestions, and using their feedback to improve our business. Collaboration helps us to frame our sustainability agenda more effectively and appropriately.

Our stakeholders are those who have a direct relationship to, or are impacted by, our business. They include investors and suppliers of capital, employees, customers and suppliers, industry bodies, governments, the media and the communities in which we operate.

# CORPORATE GOVERNANCE

The highest governing body within Incitec Pivot Limited (IPL) is the Company's Board of Directors. The Board is committed to achieving and demonstrating the highest standards of corporate governance. Since IPL's listing on the Australian Securities Exchange (ASX) in July 2003, the Board has implemented, and operated in accordance with, a set of corporate governance principles which the Board sees as fundamental to the Company's continued growth and success and the achievement of its corporate ambition and strategy.

The Board of Directors is responsible for charting the direction, policies, strategies and financial objectives of the Company. The Board serves the interests of the Company and its shareholders, as well as IPL's other stakeholders such as employees, customers and the community, in a manner designed to create and continue to build sustainable value for the Company.

The Board operates in accordance with the broad principles set out in its Board Charter. A copy of the Board Charter is available on the corporate governance section of the Company's website, [www.incitecpivot.com.au](http://www.incitecpivot.com.au). The Charter sets out the Board's own tasks and activities as well as the matters it has reserved for its own consideration and decision-making. The Board Charter has specifically reserved a number of key matters for consideration and decision by the Board. These responsibilities include:

- > direction and objectives – approving the Company's corporate strategy and budgets;
- > compliance – ensuring and monitoring compliance with all laws, governmental regulations and accounting standards;
- > ethical – monitoring and influencing IPL's culture and implementing procedures and principles to promote ethical and responsible decision-making and confidence in Incitec Pivot's integrity; and

- > Managing Director & CEO and direct reports – appointing the Managing Director & CEO and the direct reports to the Managing Director & CEO, monitoring management's performance and reviewing executive succession planning.

Each year, as provided for by the Board Charter, the Board undertakes an annual performance evaluation, comparing its performance against its Charter, setting objectives and effecting any improvements to the Charter. The Board's Charter requires the Chairman must be an independent non-executive director.

## Board Committees

To assist the Board in meeting its responsibilities, the Board currently has the following three Committees:

- > Audit and Risk Management;
- > Remuneration and Appointments; and
- > Health, Safety, Environment and Community.

Each of these Committees has its own Charter which establishes the Committee's terms of reference and operating procedures and can be found at [www.incitecpivot.com.au](http://www.incitecpivot.com.au).

## Composition of the Board

IPL's Constitution requires that the Company must have no less than three, and not more than nine, directors. Under the Company's Board Charter, the number of directors and composition of the Board is determined having regard to what is appropriate for IPL to achieve efficient and prudent decision-making. The Board will consist of a majority of non-executive, independent directors.

## Board membership

Board Member	Position	Committee membership	Gender	Age group	Minority Group membership
<b>John Watson AM</b>	Independent, non-executive Chairman of the Board	Member of the Remuneration and Appointments Committee Member of the Health, Safety, Environment and Community Committee	Male	50+	None
<b>Allan McCallum</b>	Independent, non-executive director	Chairman of the Health, Safety, Environment and Community Committee	Male	50+	None
<b>Anthony Larkin</b>	Independent, non-executive director	Chairman of the Audit and Risk Management Committee	Male	50+	None
<b>John Marlay</b>	Independent, non-executive director	Chairman of the Remuneration and Appointments Committee	Male	50+	None
<b>Graham Smorgon</b>	Independent, non-executive director	Member of the Audit and Risk Management Committee Member of the Health, Safety, Environment and Community Committee	Male	50+	None
<b>Paul Brasher</b>	Independent, non-executive director	Member of the Remuneration and Appointments Committee Member of the Audit and Risk Management Committee	Male	50+	None
<b>Rebecca McGrath</b>	Independent, non-executive director	None	Female	<50	None
<b>James Fazzino</b>	Executive Managing Director & Chief Executive Officer	Member of the Health, Safety, Environment and Community Committee	Male	<50	None

The Board comprises eight directors, including seven non-executive directors and one executive director (being the Managing Director & CEO). The Company engages all non-executive directors by a letter of appointment setting out the key terms and responsibilities of their role. The directors' biographies along with their term of office and information about their skills, expertise and experience are set out on pages 8 and 9 of the Annual Report available at [www.incitecpivot.com](http://www.incitecpivot.com). As of 30 September 2011, the composition of the Board was 12.5% female.

IPL aims to have directors with an appropriate range of skills, experience and expertise and an understanding of, and competence to deal with, current and emerging issues in the Group's business. IPL's succession plans are designed to maintain an appropriate balance of skills, experience and expertise on the Board.

In these respects, the Board collectively has significant commercial, business, operational and financial experience in a range of industries. The directors all bring skills and expertise which, in aggregate, combine to form a Board which is equipped to discharge its responsibilities.

To ensure full disclosure and transparency, all Directors are required to report any potential conflicts of interest with those of the Company.

### **Codes of conduct**

IPL is committed to operating to the highest standards of ethical behaviour and honesty with full regard for the safety and health of its employees, customers, the wider community and the environment.

The Company has codes of conduct which set ethical standards for directors, senior management and employees. The codes describe core principles designed to ensure ethical conduct is maintained in the interests of shareholders and other stakeholders.

In particular, IPL's key codes of conduct, copies of which are available on the corporate governance section of the Company's website, [www.incitecpivot.com.au](http://www.incitecpivot.com.au), are:

- > Code of Ethics – Compliance Policies and Guide, which is a code of conduct for all employees. The Code's key principles require employees to comply with the letter and spirit of the laws affecting IPL's business, as well as the Company's policies and codes; to act honestly and with integrity, and to strive to earn and maintain the respect and trust of co-employees, customers and the wider community; to use IPL's resources, including information systems, in an appropriate and responsible way; to work safely and with due regard for the safety and well-being of fellow employees, contractors, customers and all persons affected by IPL's operations or products; to avoid situations which involve or may involve a conflict between their personal interests and the interests of IPL; to have due regard for cultural diversity in the workplace; and to respect the environment and ensure that work activities are managed in an acceptable manner so as to give benefit to society.
- > Code of Conduct for Directors and Senior Management, which sets out additional ethical standards for directors and senior management reporting to the Managing Director & CEO.

- > Health, Safety, Environment & Community Policy, which sets out the Company's commitment to its Values of 'Zero Harm for Everyone, Everywhere' and 'Care for the Community and our Environment'. The Policy provides that the Company will establish and maintain health and safety management standards and systems in compliance with relevant industry standards and regulatory requirements, and that the Company will provide a safe and healthy working environment. The Policy also provides for the Company to conduct its operations in compliance with all relevant environmental licences and regulations, and to strive to be a valued corporate citizen in the communities in which it operates.

### **Whistleblower Protection**

Our Group Whistleblower Policy aims to: "ensure that staff can confidentially report unethical or illegal conduct and raise concerns regarding actual or suspected contraventions of ethical or legal standards, without fear of victimisation, reprisal or harassment."

Employees are encouraged to raise any concerns, including those arising out of activities or behaviour that may not be in accordance with IPL's codes of conduct, any of its other policies, or any other regulatory requirements with management, the human resources team or the legal and compliance team.

Employees can also raise concerns about breaches of the Company's regulatory obligations or internal policies or procedures on an anonymous basis through its whistleblower reporting system. The Group Whistleblower Protection Policy protects employees who raise concerns about suspected breaches of IPL's Code of Ethics, policies or the law. IPL's whistleblower reporting system meets all relevant Australian legislative requirements, and Australian Standard AS8004 (Whistleblower Protection Programs for Entities). Reports on the operation of the system are made to the Audit and Risk Management Committee.

### **Shareholder communications**

IPL is committed to giving all shareholders comprehensive, timely and equal access to information about its activities so as to enable shareholders to make informed investment decisions and effectively exercise their rights as shareholders.

The Shareholder Communications Policy aims to ensure:

- > that the Company's announcements are presented in a factual, clear and balanced way;
- > that all shareholders have equal and timely access to material information concerning the Company; and
- > that shareholder access to information about, and shareholder participation in, general meetings of the Company.

The Company regularly reviews the methods by which it communicates with shareholders so as to ensure it can make best use of new technologies to enhance shareholder communication. The Company places all relevant announcements made to the market, and related information, on the Company's website after they have been released to the ASX.

The Shareholder Communications Policy is available in the corporate governance section of Incitec Pivot's website, [www.incitecpivot.com.au](http://www.incitecpivot.com.au).

Summaries or copies of the charters, policies and codes are available at [www.incitecpivot.com.au](http://www.incitecpivot.com.au).



**ECONOMIC**

“ Building a solid  
financial platform ”





## Overview

Incitec Pivot Limited (IPL) has undergone a transformation in the past five years from an Australian fertiliser company to an organisation with interests in North America, Latin America, Europe and Asia, as well as Australia. This growth has positioned us amongst the top 50 of companies listed on the Australian Securities Exchange.

## Economic performance

Our global operations generate and distribute economic value to employees, suppliers, capital providers, communities and governments in the countries in which we operate. In turn, these operations deliver returns for our shareholders.

### FY2010/11 Key financial results (for the year ended 30 September 2011)

A\$ (million)	2011	2010	Change
<b>Sales Revenue</b>	3,906.3	2,931.7	33%
<b>EBITDA<sup>(1)</sup></b>	920.3	787.3	17%
<b>EBIT<sup>(2)</sup></b>	772.1	648.3	19%
<b>NPAT (ex. IMIs)<sup>(3)</sup></b>	530.1	442.8	20%
<b>Individually Material Items (IMIs)</b>	(66.9)	(32.3)	(107%)
<b>NPAT</b>	463.2	410.5	13%
<b>Shareholder Returns</b>			
<b>Earnings per share inc. IMIs (cents)</b>	28.4	25.3	12%
<b>Earnings per share ex. IMIs (cents)</b>	32.5	27.3	19%
<b>Dividend per share (cents)</b>	11.5	7.8	47%
<b>Share price at 30 September (\$)</b>	3.27	3.59	(9%)
<b>Financing KPIs</b>			
<b>Operating cash flows</b>	719.1	528.9	36%
<b>Net Debt</b>	(1,188.8)	(1,097.1)	(8%)
<b>Interest cover (times)<sup>(4)</sup></b>	13.3	12.2	
<b>Net Debt/EBITDA (times)</b>	1.29	1.39	

(1) EBITDA = Earnings before Interest, Tax, Depreciation and Amortisation, excluding individually material items.

(2) EBIT = Earnings before Interest and Tax, excluding individually material items.

(3) Attributable to shareholders of IPL, excluding minority interests.

(4) Interest cover = EBITDA/Net interest expense before accounting adjustment.

### Economic value generated FY2010/11

Component	A\$ (million)
<b>A. Direct economic value generated</b>	
Revenues	3,948.5
<b>B. Economic value distributed</b>	
<b>3,779.7</b>	
Operating costs, including payments to suppliers, non-strategic investments, royalties and facilitation payments	3,026.6
Employee wages and benefits: total monetary outflows for employees (current payments, not future commitments)	538.9
Payments to providers of capital, including dividends and interest	151.4
Government taxes (income tax, payroll tax, Australian goods and services, fringe benefits taxes and Australian fuel tax credits.)	62.0
Voluntary community investments (including donations of cash, in-kind support and employee time)	0.8
<b>C. Economic value retained (A-B)</b>	
<b>168.8</b>	

As illustrated in the key financial results, IPL delivered strong financial performance for FY2010/11. Full financial reporting can be found in our 2011 Annual Report, available at [www.incitecpivot.com.au](http://www.incitecpivot.com.au).

FY2011/12 will see IPL embark on our next phase of continuous improvement. This phase, known as BEx, from 'Business Excellence' will transform the way we do business and will drive long term and sustainable productivity improvement in the Group. BEx will introduce well known methodologies, such as Lean principles and will empower all of our employees in continuous improvement – ultimately across almost every part of our international business.

## Financial implications of climate change

As part of managing the financial implications of climate change, IPL has resources in place to manage the risks and opportunities associated with carbon pricing. Our Vice President of Sustainability has accountability for sustainability strategy, advocacy and communications. The role approaches sustainability from a commercial perspective, focusing on actions that create economic value driven by a clear strategy. This position reports to the Chief Financial Officer and is charged with providing periodic updates to the Board's Health, Safety, Environment and Community Committee on carbon regulation and other sustainability risks and opportunities.

*Pictured left: Moranbah 330,000 tonne ammonium nitrate manufacturing facility, currently under construction.*

## Risks and opportunities associated with climate change

In 2010, as part of the process of developing our sustainability strategy, a small cross-business risk exposure team identified and prioritised sustainability risks and opportunities across the supply chain using a risk impact assessment process.

From this process, potential sustainability risks to be managed and opportunities to be leveraged, including carbon regulation, have been considered at a high level by Corporate and Business Units in creating and acting on business strategies. In particular, risks and opportunities associated with climate change are listed in the table below.

Risk/ Opportunity	Description	Potential Impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact	Actions
<b>1. Risk: Carbon taxes</b>	As a nitrogen based manufacturer, IPL's operations are carbon intensive and therefore a carbon price will impact IPL as a trade exposed Company	Increased operational costs	July 2012 in Australia, 1-5 years in other countries	Direct	Certain	Being determined	Emissions reporting system implemented, with supporting human resources. Executive level management of the financial risk associated with carbon taxes has been implemented.
<b>2. Opportunity: Carbon taxes</b>	Customer demand for energy efficient, low NO <sub>x</sub> and low emissions products	New products and services	Current	Indirect (customer)	Virtually certain	Unknown	Product research and development is undertaken at three laboratories. Refer to the 'Be responsible' section of this Report.
<b>3. Opportunity: Carbon taxes</b>	Improved operational efficiencies to reduce emissions	Reduced operational costs	Current	Direct	Likely	Being determined	Efficiency opportunities are being identified and realised. Refer to the 'Use less' section of this Report.
<b>4. Risk: Emission reporting obligations</b>	Carbon reporting has increased the resources required to enable compliance	Increased operational costs	Current	Direct	Certain	Unknown	As per item 1, above
<b>5. Risk: Increased frequency of severe weather events and weather pattern changes due to climate change</b>	Extreme weather may impact our own production as well as sections of our customer base, particularly our fertiliser trade and mine access for mining customers	Inability to do business  Reduction/ disruption in production capacity	Current	Direct and Indirect (customer)	More likely than not	Unknown	Potential operations exposure to physical risks and associated mitigation is reviewed as part of our Health Safety Environment risk management processes and business continuity planning.
<b>6. Risk: Company reputation</b>	Business reputation risk if sustainability and climate change actions are not addressed and communicated	Reduced market valuation (stock price)	1-5 years	Direct	More likely than not	Unknown	Mitigation actions have been taken, including formalising of a sustainability strategy, a position on climate change and the annual release of a sustainability report. IPL publically reports on emissions and energy reduction projects, and has instigated a program of employee education to inform and encourage employees in achievements and continuing improvements to support our sustainability goals.
<b>7. Opportunity: Changing consumer behaviour</b>	Changing consumer trends may impact our customers and therefore our products and services, particularly our agricultural customers	New products and services	Unknown	Indirect (customer)	Unknown	Unknown	As per item 3, above

## Australian carbon pricing scheme

We are currently focusing on the risks and opportunities associated with the carbon pricing scheme that will be introduced in 2012.

IPL has manufacturing operations across Australia, employing approximately 1,500 people. We are defined as a large emitter under the Australian Government's National Greenhouse and Energy Reporting system, emitting 1.2 million tonnes of greenhouse gas a year from current operations. Some 95% of our Australian greenhouse gas emissions relate directly to our Australian manufacturing sites.

With the commissioning of the new ammonium nitrate facility at Moranbah, Queensland, Australia in 2012, our annual emissions will increase.

During FY2010/11 we met with representatives of the Australian Government, including the Department of Climate Change and Energy Efficiency and made submissions on the Government's Clean Energy legislative package. We were also represented in submissions by the Business Council of Australia and other industry bodies.

IPL recognises that the Australian Government is committed to reducing Australian greenhouse gas emissions and helping shape a global solution:

- > in this context, IPL supports a well-considered and appropriately designed carbon trading scheme;
- > in the absence of an international framework, any pricing mechanism must provide assistance to trade-exposed commodity businesses; and
- > lack of appropriate assistance will result in the offshore migration of manufacturing investment and jobs to countries without domestic carbon regulation, which will not achieve a net reduction in global emissions.

We support, in principle, the Carbon Farming Initiative (CFI), legislation for which was passed by the Australian Government in August 2011. However to generate maximum carbon offsets, we believe the CFI must create economic value for farmers.

We are addressing the opportunities associated with a carbon tax by developing new products and services to help our customers reduce their emissions and meet changing consumer behaviours. For example, our fertiliser business in Australia formed a group called the Agronomy Community, with a specific focus on environmental issues such as soil carbon management and the implications of a price on carbon for farmers. Our explosives business is working on a range of opportunities, including projects such as new explosives that minimise post-blast NO<sub>x</sub> fumes. More information is available in both the 'Be Responsible' and the 'Use Less' sections of this Report.



## ZERO HARM

“ Zero Harm for Everyone,  
Everywhere ”



## Our approach to safety

### Strategy

Incitec Pivot Limited (IPL) aspires to be among the best performing companies in the world in safety, health and the environment. Our values include a commitment to operate to the highest standards of safety, health and environmental performance – ‘Zero Harm for Everyone Everywhere’.

We live this value by:

- > promoting safe behaviours: ‘Think Safe, Act Safe, Be Safe’;
- > training, and following safety systems and procedures;
- > identifying and controlling hazards; and
- > looking after ourselves and each other.

Our safety strategy focuses on the 4Ps:

#### People (Behaviours)

Well communicated principles and behaviours that promote continuous health, safety and environment (HSE) performance improvement through leadership and personal responsibility.

#### Plant (Equipment)

Equipment and materials that are designed and maintained fit for purpose.

#### Procedures (System)

A management system which describes systems of work that ensure the integrity of equipment and materials and that people-based control measures are maintained.

#### Passionate Leadership

The most important of the 4Ps in determining the safety behaviours of employees is leadership as it sets the culture. Leadership has a direct influence on employees through providing and demonstrating desired behaviours, and a direct influence via the authority and conviction by which we invest in the other three Ps.

### Our workplace safety strategy is based on a 4Ps approach



## Governance structure

The corporate function reports into the Executive Team sponsor and also each business unit has its own safety support team with safety being the responsibility of each line manager across the business.

### The governance structure for workplace safety at Incitec Pivot



#### Board of Directors

IPL’s Board of Directors has oversight on health, safety and environment matters arising out of the Company’s activities as they may affect employees, contractors and the local communities in which we operate.

The Charter of the Health, Safety, Environment and Community (HSEC) Committee of the Board lists the following responsibilities for the Committee:

- (i) reviewing and monitoring compliance with HSEC Policies, by receiving regular reports from Management as to any non-compliances with the Company’s HSEC Policies, and annually, reviewing the continued appropriateness of the HSEC Policies by receiving reports from Management on such policies;
- (ii) annually reviewing the annual HSEC Strategy prepared by Management and regularly monitoring the delivery of the HSEC Strategy by receiving regular reports from Management;
- (iii) regarding the Company’s HSEC Global Management System:
  - > annually reviewing the design of the Company’s HSEC Global Management System by receiving a report from Management as to the system, and the continued applicability of the standards to the Company’s business;
  - > regularly receiving updates and assurance as to the standards being compliant with applicable legislation and regulations;
  - > annually receiving a presentation from the Company’s HSEC auditor presenting the Annual HSEC Audit Program and audit findings;



## ZERO HARM

- (iv) reviewing and monitoring the Company's compliance with applicable legal and regulatory requirements associated with health, safety and environment matters by receiving regular reports from Management;
- (v) receiving regular reports from Management on HSEC performance and issues, including the impact of changes in relevant legislation, community expectations, research findings, HSEC practices and technology;
- (vi) receiving regular reports from Management on environmental remediation activities;
- (vii) reviewing, by receiving reports from Management, at least annually, the effectiveness of the HSEC Governance Structure;
- (viii) receiving regular reports from Management on significant HSEC incidents within the Company and the response to those incidents;
- (ix) reviewing and monitoring, by receiving regular reports from Management as to safety, health and environment issues that may have strategic, business continuity or reputational implications for the Company and reviewing and monitoring the policies, principles, strategies, processes and controls established in response to those issues, including reviewing and monitoring those particular health, safety and environment risks identified pursuant to the Company's Risk Management Framework Policy; and
- (x) annually reviewing the HSEC Annual Assurance process, and receiving the annual Letter of Assurance.

The Charter can be downloaded from [www.incitepivot.com.au](http://www.incitepivot.com.au).

### Case study



### Safety record boosts funding for the children's support foundation

After achieving 1.5 million hours without a lost time injury, the team working on building the new ammonium nitrate manufacturing site in Moranbah, Queensland, Australia elected to donate money to the Starlight Children's Foundation, a children's support group.

The reward for achieving 1.5 million hours injury free was created to promote IPL's Value of Zero Harm across the 800-strong engineering, construction and production team working on the \$935 million project.

"This is a fantastic performance considering the magnitude of the project, the complex nature of the work, the number of different companies involved and the at-times adverse weather," Kyle Gimpl, Moranbah Operations Manager, told employees when presenting the award.

"The entire project team has kept safety as a top priority and there is a genuine belief in and commitment to Zero Harm."

Project team members were encouraged to proactively report hazards and record all incidents, allowing the continuous improvement and optimisation of safety processes on site.

The Starlight Children's Foundation grants wishes for seriously ill children across Australia and provides hospitals with fun centres – mobile entertainment units loaded with all the games, music and movies that kids love.

The Moranbah site, which will supply explosives products to mining companies in the region, is scheduled to begin operations in mid-2012.



**Our site in Griffith, New South Wales, Australia has achieved 6,500 days without a lost time injury**

**Systems and processes**

Our Health, Safety, Environment & Community Policy states that we will:

- > provide a safe and healthy working environment for employees, contractors and visitors, and promote safe behaviours – Think Safe, Act Safe, Be Safe;
- > establish and maintain health and safety management standards and systems in compliance with relevant industry standards and regulatory requirements;
- > identify and assess hazards to safety and health and control them as part of a total risk management process;
- > require every employee and contractor working for us to comply with relevant legislation and the health and safety management standards and systems, and we will provide them with the necessary training to enable them to have the knowledge and skills to undertake that work in a safe and healthy manner;
- > strive to continually improve;
- > report on the progress made on our health, safety, environment and community performance; and
- > encourage everyone to carry our commitment to health, safety and environment to their homes and to the community.

The policy can be downloaded from [www.incitecpivot.com.au](http://www.incitecpivot.com.au).

To track and monitor our performance, we introduced a global Health, Safety and Environment (HSE) management system, SHAERS, in FY2010/11. All incidents are recorded in SHAERS by personnel trained to do so at each site. HSE reports are generated from this database and provided to the Executive Team on a monthly basis and the Board of Directors every three months. Safety is always the first agenda item on regular Executive Team meetings.

Ensuring data accuracy is a line management responsibility and external authorities audit data accuracy and injury classification.

A Letter of Assurance is presented to the Company’s Board of Directors on an annual basis. The Letter of Assurance process requires business managers to self-assess their business unit’s compliance with Company HSE Management Systems including outcomes from HSE audits conducted throughout the year. The Letter of Assurance identifies gaps and actions to address any deficiencies identified.

**Training**

**Global Programs**

Our Company-wide induction process is compulsory for all new employees (including contractors whose duration of engagement exceeds 40 hours). The first day of this process includes site safety information as well as discussion and sign off on our Health, Safety, Environment and Community Charter.

In FY2010/11, we created and implemented the ‘Rules to Live By’ across the Company. These address the most hazardous risks common to IPL. They are crucial to helping prevent injuries and potential fatalities and were developed from the ongoing investigation and analysis of common safety incidents. The rules represent our ‘safety non-negotiables’. It has been clearly communicated that employees are putting their employment at risk if they choose to ignore these rules.

The seven Rules to Live By are:

## Rules to Live By

- 

**1. Working at Heights**

  - Always use fall protection when it is required.
- 

**2. Permit to Work & Equipment Isolation**

  - Do not perform work without an authorised and valid work permit when it is required.
  - Only remove an isolation lock or tag if you are the person authorised to do so.
- 

**3. Lifting Operations & Suspended Loads**

  - Stay clear of a suspended load when lifting is taking place.
- 

**4. Driver/Vehicle Safety**

  - Always wear a seatbelt if it is provided.
  - Do not use hand-held devices such as: cell (mobile) phones, GPS devices or two-way radios while driving.
- 

**5. Confined Space**

  - Only enter a confined space if you are trained, competent and authorised to do so.
- 

**6. Electrical Safety**

  - Only perform electrical work or service electrical equipment if you are trained, competent and authorised to do so.
- 

**7. Drugs and Alcohol**

  - Always conduct work free from the influence of alcohol or drugs.

## ZERO HARM

During FY2010/11, we also recognised that we needed to improve safety leadership skills across the organisation to support the 'Passionate Leadership' component of our approach to safety. A 'Safety Leadership Training' curriculum has been developed and a major program to train the top levels of the organisation will be rolled out in FY2011/12.

### Business level programs

Each business of IPL has safety training programs appropriate for their workforce and operations. For example, within our Dyno Nobel Asia Pacific business, every new employee is provided with a DVD as part of their Employee Welcome Pack. The content of this DVD provides an introduction to the ZIP (Zero Incident Process) training program and is used during their subsequent induction process, during which they are required to develop their 'Personal Big 5'. The Personal Big 5 are the aspects of their life that they do not want to be impacted by a workplace injury,

for example: family, partners, retirement, health, financial security. The DVD also builds a common safety language across the organisation.

All Dyno Nobel employees also undertake the two day ZIP safety training program, with leaders completing a four day ZIP safety leadership program. A total of 681 employees and leaders completed ZIP training in FY2010/11.

Our 'Take 5' safety training program is also used within our businesses to encourage employees to consider their actions prior to commencing a task in order to avoid accidents. It encourages them to stop and think about potential hazards before acting.

### Site level programs

Across IPL, health, safety and environment training that is specific for the business, site and role is provided for new and existing employees and contractors on a regular basis.

### Case study

#### Family Safety Day a big hit

An innovative day teaching families about home safety is now a popular annual fixture at our ammonium nitrate plant in Cheyenne, Wyoming, United States.

About 50 adults and 60 children had a great time at the fun day, learning valuable lessons such as how to use a fire extinguisher, ladder safety, enjoying fire truck tours and meeting local rescue dogs.

The Safety Committee at the site started Family Safety Day two years ago because it believes home safety is just as important as safety at work. It also fits perfectly with Incitec Pivot's key Value of 'Zero Harm for Everyone, Everywhere'.

"It started because of the Safety Committee's concern for our employees and their families; hence safety at home," Cheyenne Health and Safety Officer Jeff Chance said.

"Safety is 100% of the time, not just at work. Family Safety Day is very important. When you teach families about setting up their fire escape plan, placement of their smoke alarms and basic first aid, you help them think about being more prepared should something happen."

The event taught employees and their children important basics such as ladder safety, fire extinguisher use, home fire evacuation, smoke alarm locations and the Heimlich Manoeuvre.

Parents and children also learned about a household chemical poison control system.

While the day's theme was safety, the children had plenty of fun as they learned how to stay safe.



Over 57% of our sites have been injury free for over three years

## Health and wellbeing programs

Each business of IPL and, frequently, each site, offers health and wellbeing programs appropriate for local needs and to suit local regulatory and cultural requirements. Examples of the types of programs available include:

All Australian and United States employees have access to an Employee Assistance Program. In Australia, this program provides up to five confidential specialist counselling sessions each year, available 24 hours per day. It offers support for work and personal issues either face-to-face, over the telephone, in writing, via the internet or by video conferencing. The counselling can help with managing conflict, coping with change, stress, grief, career transitions, relationship issues, gambling, alcohol/substance abuse, parenting conflict, pain, trauma, anxiety, depression and many types of emotional difficulties.

During the 2011 floods in Queensland and Victoria, Australia, daily SMS messaging and Facebook updates were utilised to monitor our employees' health and safety and to provide support for those directly impacted. Emergency funding, practical assistance and counselling support were also provided to those affected.

Our Fertilisers business offers annual driver safety training for all field staff. The business also began a free health check program in August 2011, with 50 employees taking advantage of the program.

At remote sites such as our Phosphate Hill plant in regional Queensland, Australia, two lifestyle coaches are employed to provide professional support and structured programs to enhance our employees' dietary and exercise habits.

An annual Family Safety Day is conducted at our site in Cheyenne, Wyoming, United States to promote safety at work and at home. Refer to the case study in this section for further details.

## Our safety performance

### Fatalities

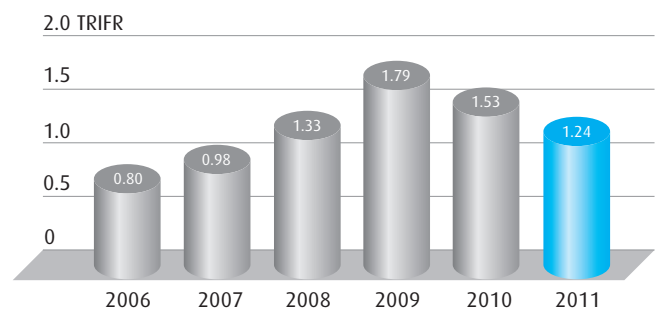
No fatalities occurred during the reporting period.

### Injuries and illnesses

Our key safety metric is the Total Recordable Injury Frequency Rate (TRIFR), which is calculated as the number of injuries for the year x 200,000 man hours/total number of hours for the year. The measure is based on the US Department of Occupational Safety and Health Administration (OSHA) criteria for recordability. The numbers include contractors.

Safety data is recorded within each business unit of IPL, and from this, regionally based statistics can be calculated. Safety data does not include gender information, as data analysis has identified that there is no incident root cause alignment to gender.

### Annual Total Recordable Injury Frequency Rate (TRIFR). Includes contractors



### Breakdown of injury rates by Incitec Pivot business and geographic region

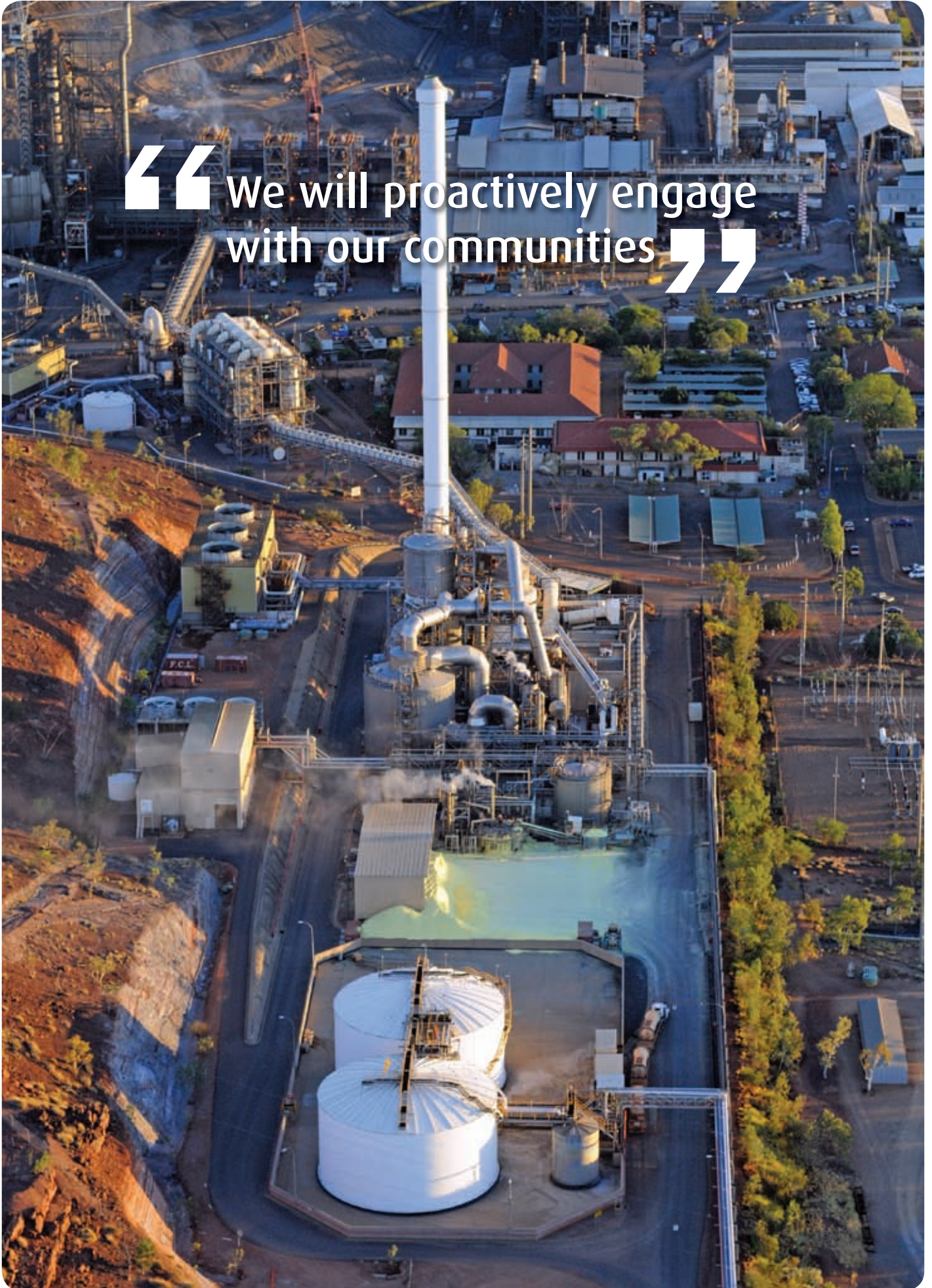
Business Unit	Regions/Countries	TRIFR
Explosives	Australia, the Americas	1.42
Manufacturing & Fertilisers	Australia, the Americas	1.16
NitroMak	Turkey, Romania, Albania	1.19

Zero injuries in 2.4 million construction hours on our ammonium nitrate plant project in Moranbah, Queensland, Australia



GET CLOSE

“ We will proactively engage with our communities ”





## Overview

Incitec Pivot Limited (IPL) employs almost 5,000 people in the Americas, Asia, Australia and Europe. Many of our manufacturing operations are in remote locations in Australia and the United States.

One of our Company Values is 'Care for the Community and our Environment', which is reflected in our efforts to reduce the environmental impacts of our operations and products as well as our efforts to ensure we listen and work with the communities in which we operate.

Our health, safety and environment standards are designed to ensure that the operation of our facilities causes 'Zero Harm to Everyone, Everywhere' and 'Cares for the Community and our Environment'.

## Our approach to community relationships

At the highest level in the Company, the Health, Safety, Environment and Community Committee of the Board of Directors assists the Board in discharging its overall responsibilities in relation to health, safety, environment and community matters arising out of the Company's activities as they may affect employees, contractors and the local communities in which we operate.

The Charter of the Health, Safety, Environment and Community Committee, which can be found on [www.incitecpivot.com.au](http://www.incitecpivot.com.au).

Our sustainability strategy includes a focus area of 'Get close: We will proactively engage with our communities'. To support this, a Sustainable Communities Policy was developed. It includes a commitment to:

- > listen to and work with the community;
- > strive to be a valued corporate citizen in the communities in which we operate; and
- > respect our neighbours, their values and cultural heritage, and be considerate to them in carrying out our operations.

While we engage with and contribute to communities via a diverse range of initiatives and programs around the world, we recognised that our global community contribution program has been reactive and ad hoc. IPL sites around the world are left to determine the most appropriate investments to make in the communities in which they live and work. Whilst this approach has largely worked, we believe we can do more for our communities. To address this and establish a proactive approach to community investment that supports our business strategy and Company Values, a Sustainability Keystone Project was established to develop guidelines for community investment. Refer to the information below.

### Keystone project

# Developing guidelines for community investment

## Overview

As a large organisation, spread over a wide geographic area, we receive many requests for help from the communities in which we operate.

This project involves developing and embedding community investment guidelines and building a central reporting system for the money, time and in-kind contributions our sites around the world make to local communities. We will then be able to measure our community investments and offer employees a Company-wide process for seeking fundraising support.

## Status

A Community Contribution Strategy is in development. This will support our Sustainable Communities Policy and provide us with a framework through which we can achieve the goals and commitments the Policy includes. This Strategy is expected to be finalised in FY2011/12 and takes into consideration:

- > our overall business strategy;
- > our existing workplace giving and donations policies;
- > key findings from external reports on community engagement and investment;
- > our 'Get close' sustainability agenda;
- > our Sustainable Communities Policy; and
- > materials issues identified by internal stakeholders and the communities in which we operate.

During FY2010/11 we implemented a process to capture community contributions into our financial management system, as a central repository of this information. This process is now being embedded across the Company and our community investment numbers detailed in this section of the Report are generated from the information being captured.

## Results

We participated in the 2011 London Benchmarking Group's (LBG) Australian and New Zealand annual benchmarking study of community contributions. LBG is the internationally recognised standard for measuring and evaluating a corporation's community investment. This allows companies to account for their total community investment using standard definitions and valuations.

Across Australia and New Zealand, 48 large corporates participated in the study. Our per-employee contributions were equal to the average recorded within the study. A critical part of our participation was following standard guidelines of measurement, independent assurance of our data and process review. Our internal measurement and recording processes program will be improved in FY2011/12 following feedback from LBG.



## Community investments

Our community investments during FY2010/11, ranged from donations to national and international charities through to grass-root community activities. For example:

In Donora, Pennsylvania in the United States, we donated a new computer to local fire department volunteers. The fire department responds to emergencies at residential, commercial and industrial sites, such as our Donora facility.

Our Swan Hill site, in rural Victoria, Australia donated fertiliser to Tyrrell College's agricultural programme. The unique programme teaches student in years 10 -12 in a hands on environment about the agricultural industry, with students being responsible for cropping over 80 hectares around the school.

When major flooding hit the Queensland capital, Brisbane, many staff joined a 'Mud Army' of volunteers to go out into flood-affected areas to help the local communities. More than 80 employees volunteered the equivalent of 125 days to assist the community in cleaning up after the floods. Around 10 additional days were donated to the preparation of vehicles and making or obtaining equipment. The Company also deployed qualified electrical engineers and electricians to assist householders in the community to safely reconnect to electricity. The team ran a fundraising event that raised over \$30,000 for flood victims which was matched by the Company.

Similarly, when the destructive tornado hit Joplin, Missouri in the United States, 109 employees from our Carthage plant, which is only 26 kilometers away, volunteered over 4,000 hours help the town rebuild. A crew of three staff, using heavy equipment from the plant, worked the first week after the tornado to clear the roads and provide access for emergency crews and recovery activities. Other employees covered damaged roofs, cut down and removed downed and damaged trees, and provided housing to a number of displaced families and individuals. Employees provided essential supplies and clothing daily for the first week, and periodically for the next two months. Employees assisted with search, rescue and recovery activities for multiple weeks and also assisted in providing food and shelter to dislodged people and recovery personnel, including cooking food every weekend for more than six weeks.

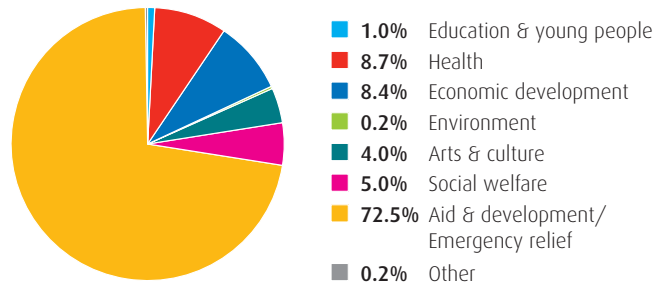
Our recorded community contributions in cash, time, in-kind support and management costs totalled \$767,352 for FY2010/11, as calculated by the London Benchmarking Group.

IPL's Workplace Giving program enables employees in Australia and the Americas to donate a portion of their pre-tax salary to the charity of their choice. The Company then matches these donations on a dollar for dollar basis up to \$100,000 per year.

As we are only beginning the process of centrally recording our community contributions, it is likely those recorded for FY2010/11 do not represent all or even most of the contributions that we actually made during the year.

Contributions worth over  $\frac{3}{4}$  million dollars were given to communities in FY2010/11

## What we supported with our community contributions



## Being good corporate neighbours

Our Value of 'Care for the Community and our Environment' requires that we listen to and work with the community, treat water as a precious resource, minimise environmental impacts and leave no legacies. This is further reinforced with our Sustainable Communities Policy (described in the 'Our approach to community relationships' section, above).

Our Health, Safety, Environment & Community Policy requires our sites to comply with appropriate local, state and federal regulations. Environmental and community impact assessments are conducted where legally required. Each of our sites determines the level of community engagement and development that is appropriate for that site. For example:

### Major capital projects

Moranbah, in Queensland, Australia, is a modern coal mining town of approximately 10,000 people. It is two hours inland from the coastal city of Mackay and has a large itinerant population in excess of 1,500, mainly workers who fly-in-fly-out (FIFO) to work in the mines.

The \$935 million ammonium nitrate plant we are building in Moranbah, Queensland, Australia is designated as a Major Hazard Facility by Government regulations. Major Hazard Facilities (MHF) are "facilities that have the potential to cause major accidents, where the consequences may rival natural disasters in terms of loss of life, injury, damage to property and disruption of activities affecting people at the workplace and the surrounding community and environment."

As an MHF, the site must provide "information to, and opportunities for, consultation with the neighbouring community." The project team has actively engaged with local government and the community to meet and exceed these requirements. A communications plan was prepared and implemented. It included hosting regular public forums during the project as well as the production of a range of printed information, which was made available via the local government communication channels. A keynote presentation about the project was given at a local secondary school event and attendance at other events allowed two way dialog with the local community. Continuing communications via local government newsletters are planned. Following the success of the communications model used for the Moranbah project, it will be used for other major projects, as appropriate.

The site at Moranbah will employ approximately 100 employees and contractors when it is operational in mid-2012. IPL has actively recruited employees for the facility from the local area.



Where suitable skills and experience were not available locally, we recruited and relocated employees from elsewhere in Australia and overseas, rather than use the FIFO model, which often has negative social impacts on communities. This has resulted in employees from South Africa, India and other countries moving to Moranbah. Incitec Pivot has provided housing and relocation services to help these new employees and their families settle into the town. An example of the work that has been done in this area is the creation of child care facilities. Limited access to child care was identified as a problem by new employees moving to the area. IPL responded by supporting the use of Company-owned housing for the operation of family day care facilities. The Company pays for any building works needed to meet regulations and helps with licencing and other business commencement activities. A seven-place child care facility is now in operation, with more planned.

### Reducing the impact of our operations

We also work with communities to reduce the impacts of our existing operations. An example of this is the modification to explosives testing that was implemented as residential estates began to appear near an explosives test site that is part of our Dyno Nobel explosives R&D facilities in Lehi, Utah, in the United States.

To reduce the noise and vibration experienced by local residents during explosive testing, we reconfigured the test pit and test schedule, by:

- > applying a limit of approximately 25 kilograms of explosives and requiring that testing only be conducted between the hours of 10:00 am and 4:30 pm;
- > reconfiguring the test site to direct the air blast towards the south – which has no residential development in the vicinity; and
- > periodically measuring noise and vibration levels in the surrounding areas and working with residents and the city council to assess the impact of the testing.

We are also investigating publishing information in the city newsletter to help residents better understand our operations and what they can expect. All testing results are significantly below the regulated level of ground vibration and noise.

### Keeping the community informed

At a five year, \$6 million remediation project in Gippsland, Victoria, Australia, a team led by IPL engineers and environmental specialists is remediating soil and groundwater containing hydrocarbons, a legacy of the use of the site as a trucking depot before it was purchased by IPL and used for fertiliser distribution. The site has been reopened as a fertiliser distribution centre, a development welcomed by the local farming community.

The remediation works mean some disruption and noise for the local community, so regular information sessions are being held in the local hall to keep local residents informed and allow two way communication.

As a way of acknowledging the disruption caused by the project, the IPL project team made improvements in the town, including building an access ramp on the local 'rail trail' picnic area and erecting shade cloths above a children's playground.

Surplus clean soil from the remediation site is also being made available free to local farmers to construct roadways, dams or bunds.

#### Case study



### Global Corporate Challenge

Early in 2011, IPL invited all employees to join the Global Corporate Challenge, the world's largest corporate health initiative. Starting in May and going for 16 weeks, the challenge is a virtual race between teams within IPL and other companies from all over the world. The primary purpose of the Global Corporate Challenge is to improve the fitness level of the participants.

After 16 weeks of walking, cycling and swimming, IPL was named the third most active organisation (manufacturing/operations segment) in the challenge, a result that considers not only the average number of steps per competitor, but also the number of teams entered, percentage of participants doing over 10,000 steps and percentage of step entries completed.

IPL had 104 teams entered into the challenge, with the Company paying for entry fees, demonstrating commitment to employee wellbeing. Employees covered a total distance of 521,958 kilometres, which equates to walking around the world 13 times.

#### Case study



### Linking safety to giving

As a way of promoting our Zero Harm Value, several of our major projects implemented a reward system for recordable injury-free periods that resulted in money being donated to charities.

After achieving 32 recordable injury-free days during a 34 day maintenance project at our Gibson Island plant in Queensland, Australia, the workforce earned \$16,000 (\$500 for every injury-free day) for Camp Quality, a children's cancer support organisation.

## USE LESS

“ We will be more efficient in our use of non-renewable resources ”



## Our approach to managing our environmental impacts

### Strategy

With one of our Company Values being 'Care for the Community and our Environment', we aim to minimise our impact on the environment through efficient management of our energy and water resources.

Our Health, Safety, Environment and Community Policy states that we will:

- > conduct our operations in compliance with all relevant environmental licences and regulations;
- > promote the efficient use of resources and energy; and
- > strive to minimise our impact on the environment.

Our sustainability strategy includes a strong focus on progressively increasing resource efficiency. This requires us to go beyond simple compliance and actively identify and manage risks and leverage opportunities.

Sustainability targets (including the reduction of greenhouse gas emissions) for all our manufacturing sites are currently being set and are likely to be in place by the end of the 2012 financial year. These will align with our existing focus on running lean, energy efficient plants and will allow us to monitor how efficient our operations are, in environmental terms, at converting raw materials into final product.

### Governance structure

Incitec Pivot Limited (IPL)'s Board of Directors has oversight on the environmental impacts arising out of the Company's activities. The Board's responsibilities in this area are outlined in the Charter of the Health, Safety, Environment and Community Committee of the Board (refer to the 'Zero Harm' section of this Report for more details).

### Personnel, systems and processes

Our Executive Team, together with our Corporate Sustainability and Environmental teams, have responsibility for establishing environmental policies, setting targets and developing strategies.

Within each business of IPL, operations staff and project teams are responsible for preparing and executing plans to achieve the targets and strategies.

Environmental managers are present to assist site management with day-to-day environmental management as they are ultimately responsible for the operation of their site.

Our Company-wide induction process includes discussion and sign off on our Health, Safety, Environment and Community Policy for all new employees (as discussed in the 'Value People' section of this Report).

In FY2009/10, a central reporting system for health, safety and environmental data, SHAERS, was implemented, starting with our Australian sites. This is being implemented across all sites, with completion expected in the 2012 financial year. All Australian sites with employees, i.e. only manned sites, enter their energy use, water use and waste into the database. The data is then consolidated for reporting purposes.

### Keystone project

## Implementing targets to reduce consumption of non-renewable resources



### Overview

This project involves determining and implementing reduction targets for greenhouse gas emissions, municipal and groundwater use and waste to landfill at our major manufacturing sites globally. Ongoing performance against the targets will be measured and reported and actions to create efficiencies will be supported.

### Status

A central database (SHAERS) to capture the data is in place and is being rolled out across the Company. During FY2010/11, only our Australian sites entered energy use, greenhouse gas emissions, waste and water use into the database. It is expected that our European and North American sites will enter data from the end of the 2012 financial year.

From this data, we are determining what the baseline year and measurement methods should be. We will then determine the reduction targets and the timeline for achieving them. It is expected that the targets will be in place by 2012.

### Results

While it is too early to report results, the database has been well received across the Company.



## Efficient use of resources and energy

### Greenhouse gas emissions

Our greenhouse gas emissions (GHG) are representative of the scale and capacity of our manufacturing plants, in particular the energy-intensive manufacture of ammonia-derived products, including urea, ammonium nitrate, ammonium sulphate and ammonium phosphate for the explosives and fertiliser markets, all of which require natural gas as a feedstock for production with carbon dioxide being liberated during the process. Natural gas is also used as an energy source. Carbon dioxide is also liberated during the acidulation of phosphate rock in the manufacture of phosphorus fertilisers.

Globally, 95% of our GHG emissions relate directly to our manufacturing production.

During FY2010/11 our recorded (Scope 1 [direct] and 2 [indirect]) absolute GHG emissions were 2.3 million tonnes of carbon dioxide equivalent (CO<sub>2</sub>-e). This figure includes 1.9 million tonnes of Scope 1 [direct] emissions and 0.4 million tonnes of Scope 2 [indirect] emissions.

This is a reduction of 0.5 million tonnes, compared to FY2009/10, which is largely attributable to reduced emissions from our North American operations due to:

- > A programmed shutdown at our site in Louisiana, Missouri, United States reduced production and thus emissions. The supply of electricity was also changed during the shutdown, from steam created at a nearby coal fired plant to a combination of electricity and natural gas which will decrease emissions for the site on an ongoing basis.

- > The mothballing of the Maitland, Canada site occurred during 2010, contributing to the FY2009/10 emissions, but not to the FY2010/11 emissions.
- > Installation of a replacement catalyst in the No. 4 nitric acid plant at our site in Cheyenne, Wyoming, in the United States significantly reduced our nitrous oxide emissions from that site, and the total emissions from the site, despite an increase in annual production.

Our Scope 1 and Scope 2 GHG emissions will increase when our new ammonium nitrate facility at Moranbah in Queensland, Australia, is commissioned in mid-2012. We have abatement plans in place to ensure this is an emissions efficient plant.

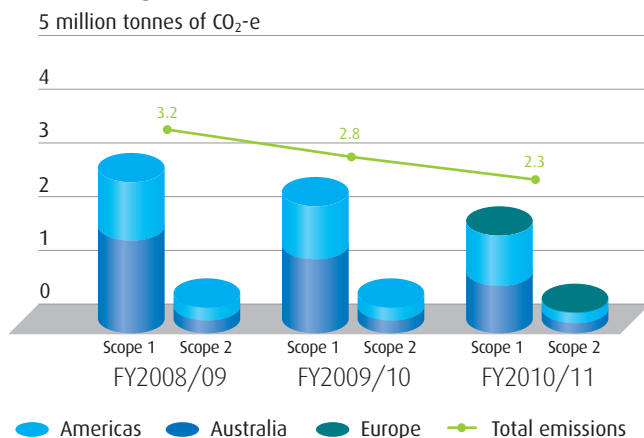
Energy and emissions data are entered by all Australian sites into the central SHAERS database. The data is obtained from utility bills, except where electricity is produced from heat generated by manufacturing. Electricity generated from natural gas at remote sites is metered on site and this is also entered into the database. Sites in other countries generating material levels of emissions will commence entering data into this database in FY2011/12. Data for our sites in North America and Europe were supplied separately this year. North America did not supply data about minor emissions from sources such as diesel in forklifts, small boilers, etc.

We also supply data regarding our Australian energy consumption and the gas emissions associated with the manufacture of fertiliser to the Fertiliser Industry Federation of Australia ([www.fifa.asn.au](http://www.fifa.asn.au)) each year, which is published as part of their annual consolidated Public Environment Report. Details of emissions are also supplied to the International Fertiliser Association ([www.fertilizer.org](http://www.fertilizer.org)) for consolidated public reporting.

IPL is defined as a large emitter under the Australian National Greenhouse and Energy Reporting System (NGERS) and has a requirement to report annually on energy and greenhouse gas emissions associated with more than 50 sites throughout Australia. Direct and indirect emissions from our Australian operations are reported to the Government under this national initiative, which began in 2009.

We have also participated in the Carbon Disclosure Project since 2009. Our submission is publicly available on our website and at [www.cdproject.net](http://www.cdproject.net).

### Greenhouse gas emissions



Greenhouse gas emissions over the last three years. Note that the lower emission numbers in 2010 reflect the closure of our manufacturing sites in Battle Mountain (United States) and Maitland (Canada), and the suspension of production at Geelong (Australia). Production at Geelong recommenced in November 2010. **Scope 1 emissions** are direct emissions within the control of the organisation, and as a result of operations including generation of heat and steam, emissions from manufacturing processes and emissions from fuel used in transportation. **Scope 2 emissions** are indirect emissions generated as a consequence of one organisation's activities but which are physically produced by the activities of another organisation, e.g. electricity consumption.

Scope 1 & 2 GHG emissions were 2.3 million tonnes CO<sub>2</sub>-e in FY2010/11



### Initiatives to reduce emissions

Within IPL many emission-reduction projects are under way, most being site-based. For example, our Explosives business in the United States changed their shipping procedures for recycled emulsion to make use of the return run of production deliveries. Previously, materials that were being recycled and returned to manufacturing sites for use as raw materials were shipped on a dedicated bulk hauler. A review of the transportation fleet operations optimised haul lines and was able to release space on trucks returning from sites that generate or process the recyclable materials to the manufacturing sites that consume it. This optimisation has reduced transportation costs and fuel consumption by nearly half, with a round trip from Saratoga Springs, Utah to Cheyenne, Wyoming being over 1,500 km.

Similarly, a planned Explosives site in the Pilbara region of Western Australia will reduce transport-related emissions due to the reduced distance required to transport explosives to mining sites in this remote area.

At our site in Mt Isa, Queensland, Australia, waste heat generated during the production of sulphuric acid is used to produce approximately 71,000 MW of CO<sub>2</sub>-e-free electricity per year.

### Helping our customers reduce their emissions

Several of our products act to directly reduce pollutants and greenhouse gas emissions, while others do so indirectly. For example, the use of urea in selective catalytic reduction in diesel engines reduces the outputs of nitrogen oxides (NO<sub>x</sub>) which react with sunlight to cause smog. NO<sub>x</sub> emissions are reduced by spraying exhaust fumes with urea inside the catalytic converter. This causes a chemical reaction that converts nitrogen oxides into harmless nitrogen and water.

The use of our 'Green Urea' fertiliser product reduces GHG emissions in agriculture, with an inhibitor delaying the hydrolysis of urea into nitrogen forms (such as N<sub>2</sub>O) that may enter the atmosphere during volatilisation. It's estimated that the level of reduction is approximately 50%, but this is difficult to quantify due to the effects of precipitation and application techniques. Agronomy services and education are also provided to customers to increase knowledge and maximise emissions reductions.

In May 2011, we announced the formation of a new agronomy group, the Agronomy Community. This group of over 200 plant nutrition agronomists aims to advance the science of plant nutrition among researchers and agronomists to help Australian farmers improve the efficiency of fertiliser use for better performing crops and pastures, while reducing greenhouse gas emissions associated with agricultural practices.

### Water use

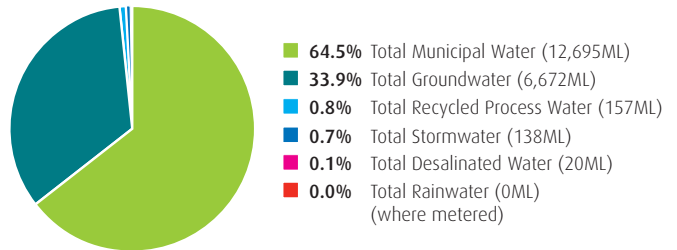
During FY2010/11, we used 19,682 megalitres of water at our Australian sites. This is consistent with our usage last year.

All Australian sites enter their water use data into the central SHAERS database. Municipal water use is obtained from water

bills, whereas volumes for storm water, river water, recycled process water or ground water are typically metered on site. A few sites use collected rainwater, which is unmetered.

Sites in other countries that use material levels of water will commence entering data into the SHAERS database from 2012.

#### Australian water use by source. Total water used was 19,682 megalitres (ML)



### Water saving initiatives

Many of our sites have implemented local water saving initiatives, for example our Fertilisers site in Congupna, in regional Victoria, Australia, captures all storm water on site. The storm water is used on the gardens at the site or is treated to reduce nutrient levels and released into the municipal storm water system.

The site has managed to reduce water use by 10% since 2003/04, despite one of the major uses of water on site, preparing liquid fertiliser, increasing by 27% over the same time period.

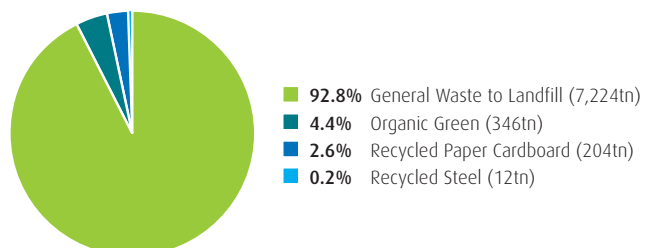
Our site in Geelong, Victoria, Australia also captures all stormwater in operational areas and uses it onsite. Usage is unmetered, but was estimated to be 17,500 kilolitres for FY2010/11.

In the United States, one of our Explosives sites supplies waste water from the production process to the local water authority, where it is used as a source of nitrates in their nutrient steam for a water treatment plant. Approximately 325,000 kilograms of the waste water is supplied each year, containing approximately 2% ammonium nitrate or other nitrate salts.

### Waste

During FY2010/11, our Australian sites generated approximately 7,800 tonnes of solid waste, 2,289,048 tonnes of chemical waste and 14,658 kilolitres of liquid wastes. Some of this waste is non-hazardous (around 8,922 tonnes of solid and chemical waste and 10,575 kilolitres of liquid waste) and the rest is classified as hazardous waste (around 2,287,506 tonnes of solid waste, mainly phosphogypsum chemical waste that is disposed of at an on-site facility, and 4,083 kilolitres of liquid waste).

#### Solid waste from Australian sites, by type. Total weight was 7,786 tonnes (tn)



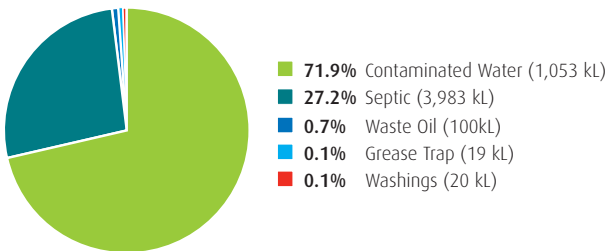
**During FY2010/11 we used 20 Gigalitres of water in Australia**

## USE LESS

### Solid chemical waste from Australian sites by type during FY2010/11

Type of chemical waste	Tonnes
<b>Waste stored on site</b>	
Phosphogypsum	2,287,004
<b>Waste sent off site</b>	
Sulphonated Mineral Fibre Waste (off site disposal)	13
Contaminated Elemental Sulphur (off site disposal)	563
Alum sludge (off site disposal)	560
Acidic sludge (off site disposal)	502
<b>Total waste disposed offsite</b>	<b>1,638</b>
<b>Total chemical waste</b>	<b>2,288,642</b>

**Liquid waste from Australian sites, by type. Total volume was 14,658 kL. Note that most of the contaminated water is nutrient-rich water. All liquid waste is disposed offsite. Waste oil is recycled.**



### Waste reduction initiatives

Our Explosives business in North America has several initiatives in place to reduce waste. A recycling program captures and processes explosives products, raw materials, wash water, etc, generated by explosives testing or from manufactured products that do not meet specifications or from other sources such as customer sites where explosives may be over-aged or damaged. These materials are then re-introduced into the bulk explosives manufacturing process as raw materials. For example, at the Lehi site in Utah, in the United States, recycled materials are captured into batch loads. Water is added (or mineral oils and emulsifiers as applicable) and the product is mixed to ensure a homogeneous blend. The batches are tested to ensure that water content exceeds 35% and a certificate of analysis is generated and provided for the manufacturing plant. The recycled solution is loaded onto road tankers and shipped as non-hazardous raw material where it is used on a percentage basis, under strict quality controls, in manufacturing at the Cheyenne, Wyoming, United States emulsion plant. In calendar year 2010, the Lehi site shipped approximately 225,000 kg of this recycled solution.

### Packaging waste

IPL is a signatory to the Australian Packaging Covenant. Our fertiliser business submitted an action plan to the Covenant covering the period 2011–2015.

Over 80% of our fertiliser is supplied in bulk. Flexible Intermediate Bulk Containers (FIBCs) are used for 15% and the remaining 5% is supplied in 25–40 kilogram sacks. The main area for improvement in terms of reducing packaging waste is in the turnover and utilisation of returnable FIBCs. The action plan is available at [www.packagingcovenant.org.au](http://www.packagingcovenant.org.au).

### Case study



### Turning explosives into fertiliser

In an example of innovative thinking, a stockpile of damaged ammonium nitrate at an emulsion manufacturing site in the Hunter Valley, New South Wales, Australia was converted to liquid fertiliser thanks to an idea from an employee and teamwork by his colleagues.

Not suitable for use in explosives, the ammonium nitrate was regarded as waste that needed to be removed from the site. An employee on the site suggested that it be converted to fertiliser rather than being disposed as waste.

Working with colleagues from Incitec Pivot Fertilisers, the team from the Hunter Valley Explosives site completed a trial run of crushing 1,000 tonnes of the solidified ammonium nitrate before transporting it to a manufacturing operation in Tongala, Northern Victoria, where it was reprocessed into the liquid fertiliser urea ammonium nitrate. The success of this trial led to full scale production, with all of the stockpile being consumed.

The cross-functional project team had to overcome numerous engineering, logistical, process, administrative and regulatory hurdles, including gaining approval under the Security Sensitive ammonium nitrate regulations to transport the ammonium nitrate from the Hunter Valley to Victoria.

### Case study

### Simple changes reduce emissions

A series of initiatives has reduced the greenhouse gas emissions associated with fertiliser distribution in Tasmania, Australia.

By optimising inbound freight distribution with the use of direct routes instead of going through distribution centres, consolidating freight loads and maximising the number of pallets per container load, the carbon emissions associated with transporting fertiliser have been reduced.

The Tasmanian team also replaced high-bay mercury vapour lights with LED units at their distribution centre, reducing energy consumption and increasing the life span of the lighting as well as reducing the need for working at height to replace lighting.

They also upgraded external site lighting controllers with photoelectric cells, replacing the existing timers. This means that the lights only come on when it's dark enough to need them.

## Environmental compliance

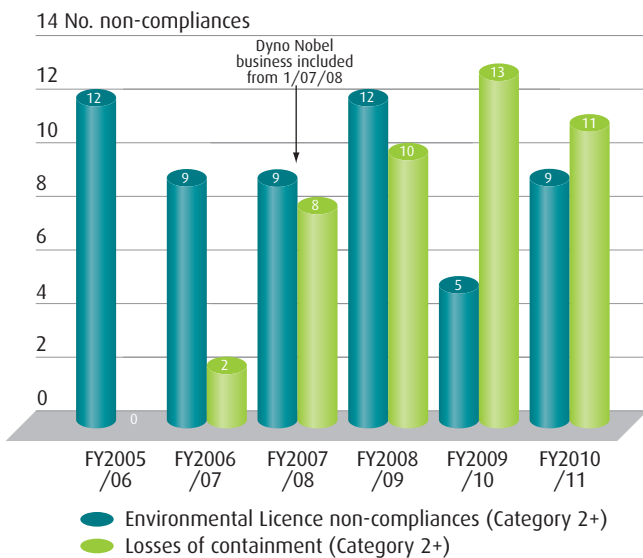
We report environmental release and discharge data to:

- > The National Pollutants Inventory in Australia (www.npi.gov.au);
- > The Toxic Release Inventory in the United States (www.epa.gov/tri/);
- > The National Pollutant Release Inventory in Canada (www.ec.gc.ca/pdb/npri/); and
- > The Register of Pollutant Release and Transfer in Mexico.

## Non-compliance incidents

Significant environmental events remained low in FY2010/11 and no environmental fines were incurred. A number of incidents were attributable to large storm events on the Australian east coast (Queensland and New South Wales) where stormwater storage capacities were exceeded.

### The number of environmental non-compliance incidents each year



Environmental licence non-compliances (Category 2+) are an excursion outside statutory discharge or emission limits, as measured in a scheduled test. Losses of containment (Category 2+) are incidents where there is an unplanned release or spill on a company site of material from a vessel, tank, pipe pump, container or package in which it was designed to be contained. A Category 2+ loss of containment is an incident which causes injury or damage, impacts the environment or causes concern in the surrounding community.

## Site remediation

We monitor and remediate our sites that have been contaminated by past practices to meet current environmental standards and enable ongoing use of the land for industrial purposes.

Financial provisions totalling over \$70 million are in place to address site remediation projects currently being managed. Most of these properties have long operational histories and a legacy of contamination that needs to be remediated to today's standards. Several sites now require only periodic monitoring, while others have either immaterial impacts or are undergoing active phases of remediation.

Sites currently in remediation include:

### Australia

- Parafield Gardens, South Australia
- Walleroo, South Australia
- Cockle Creek, New South Wales
- Pinkenba, Queensland
- Buffalo, Victoria
- Bajool, Queensland
- Warkworth, New South Wales
- Bogan Gate, New South Wales

### The Americas

- Battle Mountain, Nevada
- Cheyenne, Wyoming
- Louisiana, Missouri
- Port Ewen, New York
- Simsbury, Connecticut
- St Helens, Oregon
- Donora, Pennsylvania
- Maitland, Ontario
- North Bay, Ontario

### Case study



### Multiple projects deliver results at Gibson Island

IPL's Gibson Island site in Brisbane, Queensland, Australia manufactures nitrogen-based fertilisers. The site is one of the largest fertiliser manufacturing facilities in Australia and one of Queensland's largest users of energy and water. A series of projects has delivered energy, waste and water savings at the site. These include:

**Water substitution and recycling:** This project has allowed the site to reduce its reliance on municipal water by 15%. This has been achieved by obtaining 205 megalitres (ML) of water from a desalination plant, pumping tidal water from the Brisbane River, and through the implementation of a stormwater harvesting and reuse project that has delivered 224 ML of storm water collected from late 2008 until the end of 2010. Not only has this reduced the site's reliance on municipal water, it has reduced the nutrient load entering the Brisbane River from the site through stormwater.

**Energy saving:** Installing Advanced Process Control (APC) computer software at the ammonia plant has improved energy efficiency and production rates, as has insulating cold piping before a large compressor. Smaller projects such as managing equipment energy use during plant shutdowns, optimising steam system operations, and operational changes to improve the efficiency of a plant used to treat the site's waste water and stormwater have all contributed to reducing the energy consumption of the site.

**Recycling waste:** A new recycling yard has reduced landfill waste by 40% and sees waste separated and developed into useful products. Waste is sorted into categories such as timber, different types of metal and used batteries, cans and pallets.



## BE RESPONSIBLE

“ We will work with our customers to improve product life cycle sustainability ”





## Overview

### Our products & services

Incitec Pivot Limited (IPL) is a global chemicals company with nitrogen-based manufacturing at its core.

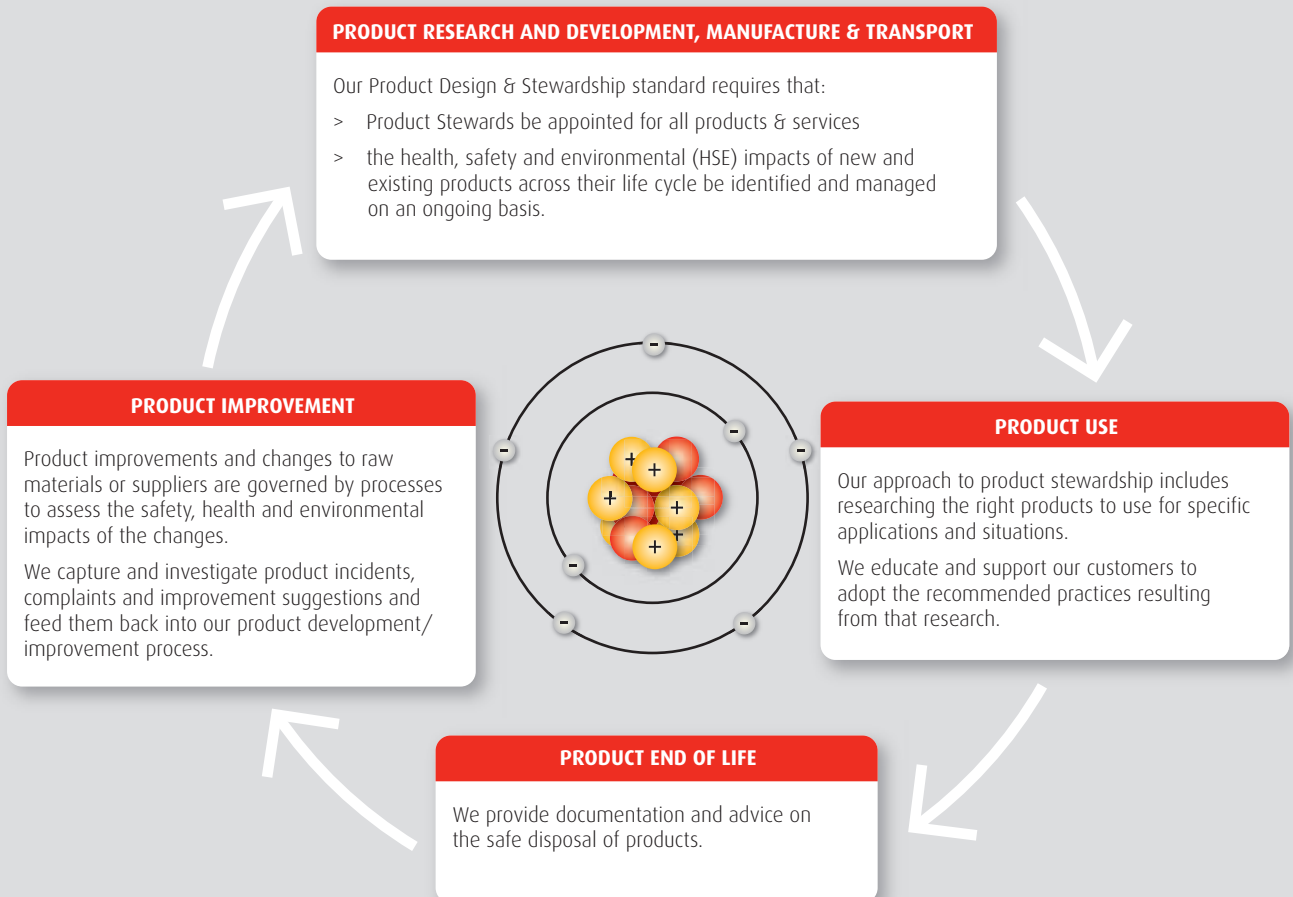
Our products and services include:

- > agricultural fertilisers, most of which is supplied in bulk via distributors to farmers;
- > industrial explosives and blasting services to the mining, quarrying, seismic and construction industries; and
- > a trading business, Southern Cross International, which markets products from the Group's manufacturing plants, trades in products made by other fertiliser manufacturers and procures raw materials for our manufacturing operations. Additionally, Southern Cross International sells products such as ammonia, urea, urea solutions, acids, caustic soda and carbon dioxide into industrial markets.

Further information is available in the 'Who we are and what we do' section at the front of this Report.

**Two million tonnes of fertiliser is supplied to Australian farmers every year, 80% of which is supplied in bulk**

Our approach to responsible products covers the product life cycle, from research and development through manufacture and transport, product use to end of life.



## BE RESPONSIBLE

### Keystone project

# Making explosives from waste oil

### Overview

The disposal of used hydrocarbon oils at remote mining sites can be expensive, as often they must be transported over long distances to a suitable treatment plant for recycling or disposal.

As petrochemicals are used to manufacture bulk explosives, an environmentally responsible disposal method is to formulate the waste oil into the explosives that are also used at the mine.

This project involves developing explosives made with minimally treated waste oil at remote mine sites.

### Status

The project is continuing and, if successful, will result in the technology being implemented at many of the remote mines we service. The project has been successful at several sites and we continue to work with our customers to evaluate opportunities for further implementation.

### Results

Success is measured by: the number of sites the project is implemented at and the percentage of waste oil blends to total diesel usage at those sites.

It is too early to report results.



**\$54 million invested in research and development in FY2010/11**

## Our approach to product stewardship

Incitec Pivot Limited (IPL) invested \$54 million in research and development during FY2010/11. This includes collaborations with external parties such as suppliers and universities, joint ventures as well as licensing fees for technologies used in our chemical manufacturing processes, such as those for ammonia and urea.

A Product Design and Stewardship Standard is included in our Health, Safety and Environment Management System. The Standard requires that "health, safety and environmental (HSE) impact of products, product packaging and services are considered and managed responsibly and ethically throughout the product life cycle. The product life cycle includes research and development; purchase of raw materials, intermediates and finished products; manufacture; formulation; packaging; labelling; storage; sale; transport; use and the disposal of damaged products, waste and packaging." This standard applies to all products and services manufactured and/or sold by IPL's businesses.

The standard requires that risk assessments be performed and appropriate control measures be put in place to manage identified risks for both new products and changes to existing products.

During FY2010/11 we have focused on projects that improve how our products are manufactured and/or used. This includes the two keystone projects of making explosives from treated and re-refined waste oil sources and researching the use of enhanced efficiency fertilisers.

IPL has internal procedures that minimise the risk of the point source contamination of waterways at Company facilities, including: wharf operations during the unloading of ships; operation of manufacturing and distribution facilities; housekeeping; stormwater management; and waste management.

### Explosives

Our product stewardship efforts within our explosives business has been focused on improving the sustainability of the input materials we use to manufacture the product, as well as the impacts resulting from its use. This includes activities such as:

- > substituting higher impact raw materials like perchlorate contaminated Sodium Nitrate with cleaner synthetic materials;
- > replacing traditional bulking agents with renewable or recycled materials;
- > replacing virgin oil with waste oils (refer to keystone project above);
- > recycling product that didn't meet final specifications, has been returned by customers or was used during experimental work to manufacture new product;

## We supply 1.5 million tonnes of explosives each year

- > reducing transport weight and minimising the waste that would otherwise be generated from the cleaning of shipping containers;
- > replacing petrochemicals with oils from renewable sources;
- > developing explosives to minimise post-blast NO<sub>x</sub> fumes; and
- > researching blast designs and products to reduce nitrate leaching and other potential contaminants such as benzene.

### Replacing bulking agents in explosives

Bulking agents are used in explosives to reduce the amount of energy per volume available, making them suitable for use in relatively soft ground.

A research project has been investigating the use of recycled or renewable materials that have the technical characteristics required to be bulking agents. These will replace the materials, such as virgin expanded polystyrene beads, currently used. These bulking materials would typically be considered as waste within the industries that generate them, so an additional benefit of this project is a reduction in waste across the supply chain.

We are working with a major recycling company to identify and trial various mixtures of waste materials. This project is still in the development phase.

### Replacing petrochemicals with oils from renewable sources

Our explosives business is researching bio-fuels as an alternative to petroleum-derived hydrocarbon sources for the manufacture of explosives.

Trial products manufactured with the new materials have been promising and have the added advantage of not contributing to Australia's reportable greenhouse gas emissions.

### Minimising post-blast NO<sub>x</sub> fumes

A significant industry issue with the use of bulk explosives, based on ammonium nitrate, is the generation of excessive nitrogen oxides during blasting activities caused by the variable conditions experienced by the products.

As NO<sub>x</sub> emissions have significant health, safety and environment impacts, we are investing in the development of new products that may reduce these emissions.

We are working with the University of Newcastle on aspects of this project. Funding was approved from the Australian Research Council in May of 2011 in the form of \$500,000 over three years, until 2014.

### Reducing nitrate leaching

Nitrate leaching into soils and waterways can be an undesirable environmental impact when using explosives. This is particularly a problem when the soil has high water content.

Continuing research is assessing the solubility rates and water resistance of explosive products as well as the impact of different blast designs. This will allow us to advise customers on product selection and use when leaching is likely.

### Product impacts across the life cycle

We continuously educate our customers about choosing the right product and blast plan to minimise environmental impacts. For example, nitrate leaching from explosives is a common impact when using explosives. Our research and development teams are researching product solubility rates and water resistance as well as the best blast designs to minimise nitrate leaching. We have already generated an extensive amount of data relative to these phenomena and willingly share the information we have with customers, regulators and the community, so that they can use it to reduce the environmental impact of using our products.

We provide documentation and advice to our customers about:

- > product content, particularly with regard to substances that might produce an environmental or social impact, including the human health and safety;
- > safe use, storage and handling of the product; and
- > disposal of the product and environmental/social impacts, as required by the appropriate laws in the countries we supply explosives into.

This advice is supplied on our website, on the product label, in the Safety Data Sheet (SDS) or directly to the customer. In Australia, our SDSs comply with the requirements of Safe Work Australia. SDSs for products that are supplied in the United States comply with the Occupational Safety & Health Administration (OSHA) for general industry and the Mine Safety and Health Administration (MSHA) for products destined for the mining industry. In the 2012 financial year, OSHA requirements for SDSs will transition to the Globally Harmonized System of Safety Data Sheets that will meet the United Nations requirements for hazardous materials.

The sourcing of components of the product is not typically included in product documentation or labelling.



**Keystone project**

# Enhanced Efficiency Fertilisers

**Overview**

Incitec Pivot Fertilisers (IPF) offers two enhanced efficiency fertiliser (EEFs) products:

- > Green Urea™ is a top dressing fertiliser, recommended where volatilisation losses of ammonia are likely. Green Urea products contain urea treated with the urease inhibitor, N-(n-butyl) thiophosphoric triamide (NBPT), aimed at delaying hydrolysis of urea into unstable forms that may be lost to the atmosphere thereby reducing emissions related to fertiliser usage.
- > Entec® is a treatment that retains nitrogen in the stable ammonium form for an extended period. While still available as a nitrogen source, ammonium nitrogen is not subject to leaching or denitrification losses.

The Enhanced Efficiency Fertilisers (EEF) project is a joint research project with the University of Melbourne in Australia. It aims to measure differences in nitrogen losses from IPF's two EEFs when compared to conventional nitrogen fertilisers.

The project is focusing on industries that have highest potential for losses: those in high rainfall or irrigation zones, such as sugar cane, dairy, horticulture and cotton.

The project has three main aims:

- > evaluate the potential and limitations for IPF's EEF to reduce gaseous and leaching losses from nitrogen fertilisers;
- > quantify the impact that EEFs may have on the nitrogen and other nutrient cycles (e.g. phosphorus) and plant growth; and
- > develop a process model and support tool for the use of Incitec Pivot's EEFs to ensure they deliver optimum plant-accessible nitrogen with minimal environmental impact.

**Status**

With the passage of the Carbon Farming Initiative through the Australian senate, the project is now filling knowledge gaps around Australia. This will involve continuing measurements of gaseous emissions from a range of agricultural systems and assessment of leaching potential in certain systems.



**Results**

Studies in this project to date have demonstrated significant reduction in gaseous nitrogen losses by using these products.

The sales of fertilisers that have proven to be more efficient are a key metric for this project. Increasing sales will indicate that our support tool and field services have converted farmers to using the EEF products. This metric is not reported publicly for commercial reasons.

## Fertilisers

**Our approach**

Many of the product stewardship issues concerning agricultural fertilisers are not confined to individual suppliers. These are addressed at the industry level through the Fertilizer Industry Federation of Australia (FIFA). As Australia's largest fertiliser supplier, Incitec Pivot Fertilisers (IPF) is a key member of the FIFA and actively engages in the FIFA product stewardship activities.

IPF's internal Product Design and Stewardship standards require a life cycle risk assessment to be conducted for any new proprietary fertiliser product or service. A life cycle risk assessment covers the "manufacture, use and disposal of products over which the business can be expected to have a direct influence."

Life cycle risk assessments are not required for commodity products that are in common and widespread use and where Incitec Pivot is not the sole supplier.

No life cycle risk assessments were conducted during the FY2010/11 period as no new proprietary products were released.

Recent product stewardship activities within Incitec Pivot's fertiliser business have focused on:

- > developing and promoting enhanced efficiency fertilisers (refer to keystone project above); and
- > promoting best fertiliser management practice, as defined by the International Plant and Nutrition Institute.



### Case study

Our Product Stewardship Process requires the health, safety and environmental hazards associated with products and services during their life cycle to be identified and managed.

Our 40 kilogram (kg) fertiliser packs were identified as a health and safety risk as they are frequently manually handled during their use. The 40 kg packs are being replaced with 25 kg packs, with the change expected to be completed during the 2012 financial year. This will meet the code of practice released by the Fertiliser Industry Federation of Australia.

It should be noted that packs of fertiliser represent only 5% of our sales. 80% of fertiliser is supplied in bulk and 15% is supplied in bulk bags (FIBCs), 95% of which are returned and reused.

### Best fertiliser management practices

Fertilisers are essential to productive and profitable farming. To maximise fertiliser use efficiency and return on investment, attention has to be paid to how, when and where fertilisers are applied. It is also important that fertilisers be applied at appropriate rates. Too little, and crop and pasture yields may be sacrificed and produce quality affected. Too much, and the nutrients applied in excess of crop demands may be lost, either to the atmosphere or to waterways. Nutrient enrichment of waterways can stimulate weed and algal growth, and change ecosystems.

To maximise nutrient use efficiency, it is important that fertilisers are used at appropriate rates and in a responsible manner. Our fertilisers business is an active member of the International Plant Nutrition Institute and promotes their 4R nutrient stewardship:

- > Right source;
- > Right rate;
- > Right time; and
- > Right place.

The Fertilizer Industry Federation of Australia (FIFA) has a similar approach, which we also promote.

To support this, our agronomy laboratories offer soil and plant testing to farmers. This, together with professional advice from our team of agronomists and our computerised decision-support system, provides the diagnostic data, best practice information and advice farmers need to choose the right fertilisers and apply them correctly, reducing nutrient run-off.

Our laboratories process approximately 100,000 samples over the year, servicing farmers in every state of Australia, except Western Australia.

IPF's field personnel are Fertcare Accredited Advisors. Fertcare is an Australian fertiliser industry product stewardship program that includes training, quality assurance, certification and accreditation. We maintain a pool of accredited personnel and regularly update the Fertilizer Industry Federation of Australia (FIFA) on the number of accredited advisors.

**Over 100,000 samples are analysed by our agronomy laboratories each year**

Our computerised decision-support system is called Nutrient Advice Advantage. This recommends the optimum fertiliser application for a specific crop, based on agronomic best practice. This system has continued to be developed and updated this year, with a new release planned in the short term. The system is audited by the Fertilizer Industry Federation of Australia (FIFA) every two years.

### Product labelling and information

IPF follows the Code of Practice for Labelling and Standards, developed by the Fertilizer Industry Federation of Australia (FIFA). This code of practice aims to achieve uniform description and labelling of fertilisers across Australia.

We provide documentation and advice to our customers about:

- > product content, particularly with regard to substances that might produce an environmental or social impact, including human health and safety;
- > safe use, storage and handling of the product; and
- > disposal of the product and environmental/social impacts, as required by the appropriate laws in the countries we supply fertilisers into.

This advice is supplied on our website, on the product label, in the Safety Data Sheet (SDS) or directly to the customer. Our SDSs comply with the requirements of Safe Work Australia.

The sourcing of components of the product is not typically included in product documentation or labelling.

### Southern Cross International Trading

Our trading business, Southern Cross International, sells a range of fertilisers and industrial chemicals into wholesale, industrial and export markets. We work with our customers in all these markets to ensure our products are safely transported and used.

Through our involvement with the International Plant Nutrition Institute, we are actively involved in the promotion of the responsible use of fertilisers on a number of third world and developing countries.

### Case study

# Patented technology offers safest delivery of emulsion explosives in the world

Incitec Pivot's explosives business, Dyno Nobel, is implementing new technology that provides one of the safest delivery systems commercially available for producing, sensitising and delivering emulsion explosive into a customer's boreholes.

Dyno Nobel was granted a United States patent for the technology in August 2010 and has since begun rolling out the technology across North America and other regions.

The system utilises a specially built truck that transports hot ammonium nitrate solution, fuel phase and trace chemicals to the area to be blasted.

None of the materials are detonable, which is a significant safety feature. The mixture only becomes explosive after gassing occurs in the borehole. The patented mixing/pumping system combines all the ingredients.

The emulsion is formed by pumping oxidiser solution and fuel solution through a series of nozzles and shear devices with a final viscosity adjustment at the end of the process. The 'end of hose' process allows for the ability to pump more accurately and to stop production without cleaning out the emulsion hose.

The residual pressure from the ingredient pumps is used to pump the emulsion down the hose into the borehole. The system blends small quantities of gassing chemicals into the emulsion



as it is pumped into the borehole. The gassing reaction sensitises the emulsion and expands it to the desired density (from 0.9 to 1.25 grams per cubic centimetre) to optimise blasting results.

Viscosities are typically very high and provide for thorough mixing of the fuel and oxidiser approaching molecular performance. The high viscosity levels also enhance water resistance and prevent migration of the emulsion into cracks in the borehole which improves performance of the explosive. It also reduces potential low-order explosions and generation of unwanted NO<sub>x</sub> (nitrogen oxides) or red fumes in the after-blast.

With increased security concerns and governmental regulations of ammonium nitrate prills, this technology is an ideal safety solution because there is no mixing of fuels and oxidisers until the truck is off-road at the actual blast loading area. In addition, the sensitisation of the emulsion is not completed until the explosive is in the borehole.

The all-in-one trucking system also requires fewer people and thus reduces the customer's delivery costs.

### Case study

# Our new head office goes green

In July 2011, Incitec Pivot's head office in Melbourne, Australia moved into one of the city's first environmentally sensitive commercial buildings, Twenty8Freshwater Place. The building has been developed with an environmentally sustainable design to assist in creating a best practice working environment whilst minimising the environmental impact of the workplace.



Some key features include: improved efficient air conditioning, ventilation, better use of blinds to enhance thermal comfort, and a procurement policy for lower environmental impact consumables. The building itself has a Class A 5 star national Australian Built Environment Rating Scheme (NABERS) Energy rating, meaning that the building uses 25% Green Power.

Building management encourages all tenants to improve the efficiency of their own offices by designing their fit out to achieve energy and efficiency savings. Incitec Pivot has also put in place best practice waste management systems to minimise waste creation, maximise the recycling of suitable waste and divert waste from landfill by following the principles of Avoid, Reduce, Reuse and Recycle with waste units throughout the office.

Occupational health and safety was also at the forefront of management's mind when designing the new office – each Incitec Pivot staff member had a personal visit from an ergonomic specialist to ensure seats, desks and monitors were correctly adjusted for each individual and our new desks and chairs comply with ergonomic standards. Office safety hazards have been avoided with a policy of no stair usage except in emergencies, cables are built in behind desks to avoid trip hazards and power cords are not permitted to lie on the floor in meeting rooms.

The new office is truly an example of how the Company lives the values of Zero Harm.



## Industry associations

Incitec Pivot Limited (IPL) is a member of various industry associations. Those which are considered strategic include:

Industry association	Description
<b>International Plant Nutrition Institute</b>	A global organisation with initiatives that address the world's growing need for food, fuel, fibre and feed. IPNI seeks to provide a coordinated scientific foundation for fertiliser nutrient use and to address associated environmental issues. Best management practices for fertiliser use encourage the concept of applying the right product at the right rate, right time and right place. IPL is a member.
<b>Fertilizer Industry Federation of Australia</b>	The industry association representing manufacturers, importers and distributors of fertiliser in Australia, and associated service industries. FIFFA members supply over 95% of the fertilisers used in Australia. IPL holds a board position.
<b>International Fertilizer Industry Association</b>	A not-for-profit organisation that represents the global fertiliser industry, which produces 170 million tonnes of fertiliser annually. IFA member companies represent all activities related to the production, trade, transport and distribution of the nutrients required to help farmers worldwide address the growing need for food, feed, fibre and bio-energy. IPL is a member.
<b>Australian Explosives Industry and Safety Group Inc</b>	Aims to continuously improve the level of safety in the manufacture, transport, storage, handling and use of precursors and explosives in commercial blasting throughout Australia. Dyno Nobel is a member.
<b>Minerals Council of Australia</b>	Represents Australia's exploration, mining and minerals processing industry, nationally and internationally, in its contribution to sustainable development and society. MCA member companies produce more than 85 per cent of Australia's annual mineral output. Dyno Nobel Asia Pacific is an associate member.
<b>National Mining Association</b>	The voice of the American mining industry in Washington, D.C., NMA is the only national trade organization that represents the interests of mining before Congress, the Administration, federal agencies, the judiciary and the media. Dyno Nobel Americas is a member.
<b>Institute of Makers of Explosives</b>	An association concerned with the safety and security of the commercial explosives industry in the United States and Canada. Dyno Nobel Americas is a member.
<b>Australian Packaging Covenant</b>	A voluntary initiative, by Government and Industry, to reduce the environmental effects of packaging on the environment. IPL is a signatory.
<b>International Society of Explosive Engineers</b>	A professional society dedicated to promoting the safety, security and the controlled use of explosives. Dyno Nobel is a member.
<b>Global Explosives Safety Group (SAFEX)</b>	A non-profit organisation of manufacturers of explosives and pyrotechnics which aims to protect people and property against dangers and damage by the sharing of experience in the explosives industry. Dyno Nobel is a member.

## VALUE PEOPLE

“ Respect, recognise, reward ”



## Overview

We have evolved into a multi-region, multi-segment Company and this brings a range of complexities and leadership challenges. Our opportunity is to meet these challenges in a way which creates a highly engaged workforce and a high performing culture which is true to our values, based on solid processes and provides the capacity to meet the companies emerging issues.

## Our workforce

The workforce at Incitec Pivot Limited (IPL) consists of approximately 5,000 employees globally. The 2008 acquisition of Dyno Nobel and the subsequent acquisition of NitroMak grew the company’s workforce by over 50% and transformed Incitec Pivot Limited (IPL) from an Australian fertiliser manufacturer to an organisation with interests in North America, Latin America, Europe and Asia, as well as Australia. To support this dramatic change, we developed a new strategy for managing our human resources that focuses on leadership development, talent and performance management and diversity. This, together with our Company Value of Value People – Respect, Recognise and Reward, forms the basis of our approach.

### The number of full time equivalent employees in each location. Excludes joint ventures and contractors

Region	No of employees
Australia	1,679
Indonesia	149
Papua New Guinea	45
Americas	2,723
Europe	291
<b>Total</b>	<b>4,887</b>

## Our strategy

In 2010, we developed and started implementation of a strategy that focused on building and enabling leadership capability across the organisation. This ‘People Strategy’ recognised that:

- > leadership is key to driving our organisational climate, and in turn, discretionary effort and performance motivation across our business; and
- > leadership skills are critical to achieving our business performance and growth aspirations.

In the 2011 financial year, we refined the People Strategy to focus on four key leadership and employee engagement enablers:

### Talent management

Having the right people in the right roles with the right capabilities

### Leadership development

Developing our leaders and potential leaders through internal and external courses, executive coaching and process education

### Performance management

Embedding leadership competencies and developing employees through coaching and development, managing under performance and paying for performance

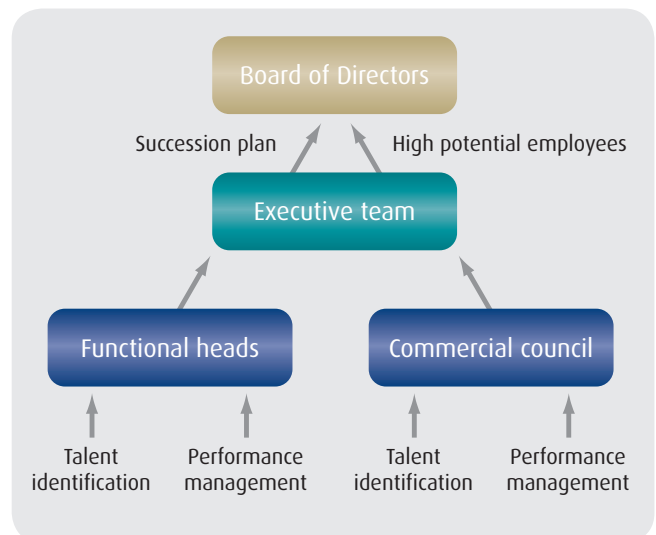
### Diversity

Accessing a greater pool of talented workers, achieving diversity of thought, experience and style and ensuring inclusion of everyone.

## Talent management

To support our objective of having the right people in the right roles with the right capabilities, we have implemented rigorous processes to identify and develop high potential employees and to continually develop all employees.

### Identifying and developing high potential employees





## VALUE PEOPLE

On an annual basis, functional heads and leaders within each of our businesses are required to identify employees with high potential to become a leader. The identification process uses both a formal set of criteria and data from the annual performance management process. Nominations from across the Company flow up to the Executive team who meet annually to develop a list of those candidates who will receive training and development opportunities to help them meet their full potential. Both functional areas as well as a separate Commercial Council, created to manage talent within the Company's commercial operations, supply the nominations.

As a separate exercise, succession planning is conducted annually across the Company, identifying short, medium and long term candidates for key roles in the organisation.

Ultimately, a report on high potential employees and a succession plan is delivered to the Company's Board of Directors. It is a Board responsibility to ensure that a succession plan is in place for all executive roles. Similarly, the Executive team must identify and develop successors for level 3 roles (those that report to Executive team members).

Specific development plans are developed for employees identified as high potential. This can include elements such as training, experience opportunities and mentoring. If a specific need is identified for many of these employees, e.g. Safety Leadership skills, then a company-wide solution may be developed and implemented as part of the Human Resources annual operating plan.

## Leadership Development

During FY2010/11 we focused on developing and implementing formal leadership development across the Company. We recognise that to support the now much larger Company and achieve our plans for the future, we need leaders who have the skills and experience to run a large, multi-geography, multi-cultural organisation.

Our formal Leadership Development program is a multi-faceted program that has a three year curriculum and will be completed by approximately 100 people each year – those with direct reports or who are in key roles. The curriculum will be updated each year as a result of feedback from the succession planning and performance management processes and from our employee opinion survey results.

During FY2010/11 over 800 employees completed the first part of the program. Training this large number of people in Year One was strategic. It will allow a common language and understanding of leadership to be used across the organisation and was necessary to start embedding a new leadership culture.

The success of the program will be measured using several different metrics, including:

- > completion rate of development plans for participants in the leadership program;
- > improvements in 360 degree feedback and climate surveys that are part of the performance management process for leaders in the organisation;
- > results from the Employee Opinion Survey– specifically on the leadership, performance management, and career opportunities questions on the survey;

- > improvement in individual performance on Leadership Competencies that are part of the performance management process;
- > Net Promoter Scores and Transfer of Learning Measures that are part of the assessment for the leadership program; and
- > greater follow up with leaders and program participants to ensure impact and demonstrate follow up to employees.

A baseline for each metric was established in late FY2010/11, against which ongoing improvements will be measured.

## Performance management

Our performance management strategy aims for consistency, fairness, equality and reward for performance.

As part of this strategy, every employee who is not part of a collective bargaining agreement that precludes them is required to have a performance management review at six monthly intervals.

Our performance management system, called ATLAS (Aligning, Talent Management, Learning & Development, Assessment & Appraisal, Succession Planning), is a process for establishing a shared understanding of 'what' is to be achieved, and 'how' it is to be achieved.

The ATLAS performance process is a collaborative process and requires both manager and employee to participate equally. Online tools are provided as part of the ATLAS process to ensure consistency and to provide a central repository for all performance management information.

We measure the impact and employee perception of the performance management process through the employee opinion survey (refer below).

### IPL's performance management process



### Education & training

One of the outcomes of the performance management process is a development plan for the employee, including training and development requirements.

The completion of performance reviews by the required date is monitored and driven by the Human Resources department.

## Diversity

In FY2011/12, we are planning to establish a policy addressing gender diversity as required by the Revised Recommendations of the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations) introduced on 30 June 2011 and will apply to the FY2011/12 financial year.

However, in the meantime, IPL has already introduced a number of changes within its governance framework, for example, under its Charter, the Remuneration and Appointments Committee is charged with:

- > reviewing and reporting to the Board about the proportion of women at all levels of the Company; and
- > overseeing the development of, and making recommendations to the Board about strategies to address diversity, including the development of a diversity policy.

The Board has a number of initiatives in place to ensure a diverse Board, including placing diversity on the agenda regularly for meetings of the Remuneration and Appointments Committee and establishing a process to regularly assess the skills, experience and background of the Board members with a view to ensuring a diverse mix relative to the Group's business and operations. In addition, the Chairman participated in the AICD ASX 200 Chairman's mentoring program which was designed to assist in the development of a broader pool of Board candidates.

During FY2010/11, in furtherance of the Group's recognition of the important contribution made to its business and operations by its people working across many different countries, with diverse experience, background, age, gender and cultural association, Incitec Pivot established a Diversity Council.

The Diversity Council was formed in recognition of the challenges presented by the industries within which the Group operates and the nature of its operations, which includes heavy manufacturing sites and remote and regional operations. The remit of the Diversity Council is to champion, influence and support the Company's diversity agenda, leading to the development of a diversity strategy directly relevant to Incitec Pivot's business and operations.

The Diversity Council has undertaken a diagnostic of the Group's operations and practices, accessing qualitative and quantitative data which has led to the development of key priorities for diversity in FY2011/12, including:

- > reward and recognition practices; and
- > an indigenous employment program noting that in 2011 Incitec Pivot signed the Australian Employment Covenant.

Underpinning these priorities is the Group's continued focus on leadership development. The Group's leadership program, in place since 2010, was designed to create a strong organisational climate resulting from enhanced employee engagement, which independent research has shown leads to outstanding performance. This leadership program will be reviewed in FY2011/12 with a view to establishing a clearer understanding of diversity among leaders.

In FY2010/11, the Company received confirmation from the Australian Government's Equal Opportunity for Women in the Workplace Agency that it was compliant with the Equal Opportunity for Women in the Workplace Act 1999. The table below shows the percentage of females employed in the following categories as at 30 September 2011.

% Females at 30 September 2011	
Board	12%
Executive	10%
Management	13.7%
Global	14.2%

Incitec Pivot will commence reporting on its diversity policy in the 2012 Annual Report and Sustainability Report.

A separate project to provide employment opportunities for indigenous people in the regions we operate in is described in this section.

### Case study



### Reuniting families in a crisis

As tropical cyclone Yasi approached northern Queensland, Australia in February 2011, our response plan included ensuring that families were reunited to weather the storm together.

Most of our employees at the Phosphate Hill site were flown home to Townsville to prepare for the cyclone. We then offered to fly the families of those employees who would keep the Phosphate Hill site on standby to join them until the cyclone passed.

46 people, two dogs and two birds were flown the 1,000 km from Townsville, directly in the path of the cyclone, to the company's Phosphate Hill manufacturing site in remote North-west Queensland. Some stayed for a week before flying home.

Keystone project

# Global indigenous employment program

## Overview

A successful indigenous employment program at the Company's Phosphate Hill chemical manufacturing facility in regional Queensland, Australia has been operating for the past 10 years.

The program has provided learning and employment opportunities to indigenous people from the local area. The centrepiece of the program is the two-year employment traineeship; however, the long-term success has come from engaging locally and encouraging education to create a talent pool of employable people.

This keystone project aims to replicate the success of the Phosphate Hill program across the Company's other remote sites in Australia and Canada's Northwest Territories.

## Status

We released our Sustainable Communities Policy in FY2011/12, formalising our pledge to respect the values and cultural heritage of Indigenous peoples, considering their needs and wishes when carrying out our operations.

While our initial investigations have found that not all of our sites can offer the same employment opportunities as Phosphate Hill, we will do so where possible. The Pilbara in Western Australia has been identified as the next focus for the program.

In June 2011, Incitec Pivot Limited (IPL) signed the Australian Employment Covenant (AEC), committing us to promote Indigenous employment within our business.

The AEC is an industry driven initiative supported by the Australian Federal Government, Australian employers and Indigenous people. It aims to secure 50,000 sustainable jobs for Indigenous Australians, breaking the cycle of unemployment and poverty. As signatories, we will provide access to opportunities for Indigenous people who meet our prerequisites and training requirements for each role.



The AEC provides us with an industry network of shared experiences to draw from and will help us to implement our program, by providing partnerships, case studies, job advertisements, workshops, educational materials and mentoring.

## Results

Our primary metric for this keystone project is the number of participants in the Indigenous Training Program.

During FY2010/11, four participants commenced the program in Mount Isa and Phosphate Hill, taking the total number involved in the two year program to six.





**FY2010/11 Employee Engagement survey score improved 16% compared to the 2009 survey**

## Measurement

### Employee opinion survey

An annual employee opinion survey is undertaken to gain a better understanding of how the Company is perceived internally.

Full surveys are made available to everyone in the business both online and in paper form (to cater to those employees who do not have regular access to Company email) and are translated into French, Spanish and Bahasa. Responses are anonymous and employees are encouraged to be honest and robust in their comments.

The results of the survey are used to measure the effectiveness of organisational development strategies and to monitor our company culture.

The FY2010/11 survey was completed by 76% of employees and indicated an 16% improvement in the employee engagement score, compared to the previous survey in 2009.

Specific actions that were taken to address employee feedback included:

- > redesigning the short-term incentive program;
- > improving the online performance management system; and
- > commencing a long-term focus on leadership development.

### Case study

#### Supporting families with flexible working arrangements

Incitec Pivot Limited (IPL) in Australia offers flexible work arrangements as well as generous sick leave and family leave policies, well beyond statutory requirements. Permanent employees who become parents have access to generous family leave provisions such as 12 weeks paid family leave at full pay or 24 weeks at half pay.

### Case study



#### Recognising the application of our Values

IPL Values Awards are used to recognise the achievements of individual or groups of employees who have been exemplary in living the company's values. Winners of the awards are recognised for demonstrating the company's values in the way they contribute to the business and their achievements are communicated throughout the organisation.

A total of 77 employees received IPL values awards during FY2010/11.

# OUR APPROACH TO REPORTING

## Report scope

This Report covers wholly owned subsidiaries of Incitec Pivot Limited, Australian Company Number 42 004 080 264. The Company is a public company, trading on the Australian Securities Exchange as IPL.

In accordance with Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, this Report covers all entities that generate significant sustainability impacts (actual and potential) and over which we exercise control or significant influence with regard to financial and operating policies and practices.

This Report covers topics and GRI indicators that reflect Incitec Pivot's material economic, environmental and social impacts or issues that would substantively influence the assessment or decisions of our stakeholders. Our approach to defining materiality is described in the section titled 'Determining the Content of the Report', earlier in this Report.

The statistics in this Report represent the 12-month period to 30 September 2011 and are for global sites wholly owned by Incitec Pivot during that period. Joint ventures are not covered in this Report, unless indicated, nor are the activities of suppliers, customers or outsourced operations.

For the first time, the Report includes data from the Nitromak company, acquired in July 2010. No significant acquisitions occurred during the reporting period.

All financial figures in the Report are in Australian dollars, unless otherwise indicated.

The financial year ending 30 September, 2011 is indicated as FY2010/11 in this Report.

We report annually on our sustainability performance, with the last report being issued in January 2011.

## Data measurement and calculations

### Financial data

Financial figures are derived from our audited accounts, which are prepared according to the International Financial Reporting Standards (IFRS).

### Environmental data

Scope 1 and 2 greenhouse gas emissions are calculated based on the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition).

Scope 1 and 2 emissions factors are sourced as follows:

#### Australia

- > National Greenhouse and Energy Reporting (Measurement) Determination 2008
- > National Greenhouse Accounts (NGA) Factors (2010).

#### Americas

- > USA Electricity: eGRID2007 Version 1.1 Year 2005 GHG Annual Output Emission Rates
- > USA Fuels: IPCC, Guidelines for National Greenhouse Gas Inventories (2006)

- > Canada Fuels: Default CO<sub>2</sub> Emission Factors: Environment Canada, National Inventory Report, 1990–2007: Greenhouse Gas Sources and Sinks in Canada (2009), Annex 12: Emission Factors, Table A12-5 (1998–2007 data); Default Heat Content: Statistics Canada, Report on Energy Supply-demand in Canada, 2007 (2009)
- > Canada Electricity: Greenhouse Gas Division, Environment Canada (2006 data)
- > Mexico Electricity: Emission rates include emissions of CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O. Factors are a national average of all the power plants operating and delivering electricity to the National Electric System and do not include transmission and distribution losses. Factors for 2002 to 2005 were not calculated with actual data but instead estimated using the Electricity Outlooks published by Mexico's Ministry of Energy. Source: Asociación de Técnicos y Profesionistas en Aplicación Energética (ATPAE), 2003, Metodologías para calcular el Coeficiente de Emisión Adecuado para Determinar las Reducciones de GEI Atribuibles a Proyectos de EE/ER – Justificación para la selección de la Metodología, versión final 4.1 (junio de 2003), proyecto auspiciado por la Agencia Internacional de Estados Unidos para el Desarrollo Internacional, México, D.F., México.

### Europe

- > 2011 Guidelines to DEFRA/DECC's GHG Conversion Factors for Company Reporting – Produced by AEA for the Department of Energy and Climate Change (DECC) and the Department for Environment, Food and Rural Affairs (DEFRA) in the UK. Version: 1.2
- > Scope 3 emissions are not calculated.

## Changes during the reporting period

A significant change from the previous reporting period is the inclusion of data from Nitromak DNX Kimya Sanayii A.S., the remaining 50% equity being acquired on 31 July 2010 for \$97.1 million. Nitromak is headquartered in Ankara, Turkey, employs 275 people and has annual revenues of approximately US\$72.5 million.

No other significant changes were made to the scope, boundary, or measurement methods applied in the Report.

### Restatements

No restatements have been made to previously published data.

### Where to find our other reports

Our previous sustainability reports are available for download from [www.incitecpivot.com.au](http://www.incitecpivot.com.au).

## Questions and feedback

IPL recognises the need to report on issues most relevant to our business and our key stakeholders, and welcomes feedback on this Report and our sustainability progress.

Please direct any questions or comments regarding this Report or its content to us via [sustainability.feedback@incitecpivot.com.au](mailto:sustainability.feedback@incitecpivot.com.au).

Our 2011 Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, Version 3.1. The Report is self-declared as a GRI C application level.

We believe it represents a balanced and reasonable presentation of our organisation's economic, environmental and social performance.

The following table details the GRI Indicators covered by this Report. Read more about GRI at [www.globalreporting.org](http://www.globalreporting.org).

### Key

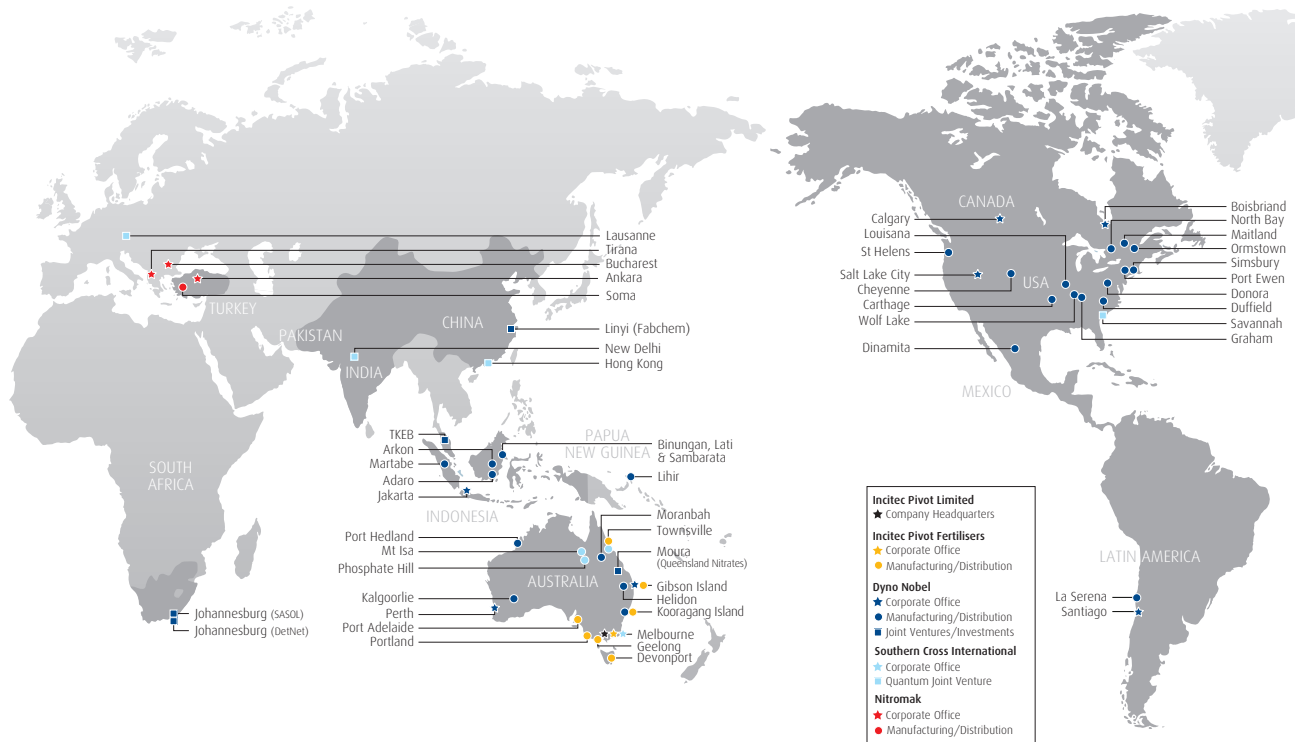
- Full coverage
- ◎ Partial coverage
- Not covered

GRI Item	Description	Coverage	Information location
1.1	Statement from the most senior decision-maker of the organisation	●	Page 3
2.1-2.8	Organisational profile	●	Page 2
2.9	Significant changes during the reporting period	●	Page 42
2.10	Awards received	●	Page 5
3.1-3.4	Report parameters	●	Page 42
3.5	Process for defining report content	●	Page 5
3.6	Boundary of the report	●	Page 42
3.7-3.8	Report parameters (continued)	●	Page 42
3.10-3.11	Restatements and significant changes from previous reporting periods	●	Page 42
3.12	Table identifying the location of the Standard Disclosures in the report	●	This table
4.	Governance, Commitments, and Stakeholder Engagement		Pages 5-7
4.1	Governance structure of the organisation	●	Pages 6-7
4.2	Is the Chair of the highest governance body also an executive officer?	●	Page 7
4.3	Independent and/or non-executive members of the board	●	Page 6-7
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	●	Page 7
4.13	Memberships in associations	●	Page 35
4.14	List of stakeholder groups engaged by the organisation	●	Page 5
4.15	Basis for identification and selection of stakeholders	●	Page 5
<b>STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)</b>			
DMA EC	Disclosure on Management Approach EC	●	Page 9
DMA EN	Disclosure on Management Approach EN	●	Page 23
DMA LA	Disclosure on Management Approach LA	●	Pages 37-38
DMA HR	Disclosure on Management Approach HR	○	
DMA SO	Disclosure on Management Approach SO	◎	Page 19
DMA PR	Disclosure on Management Approach PR	◎	Pages 29-30
<b>STANDARD DISCLOSURES PART III: Performance Indicators</b>			
<b>Economic</b>			
EC1	Direct economic value generated and distributed	●	Page 9
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	●	Pages 9-11
<b>Environmental</b>			
EN8	Total water withdrawn by source	●	Page 25
EN16	Total direct and indirect greenhouse gas emissions by weight	●	Page 24
EN22	Total weight of waste by type and disposal method	●	Pages 25-26
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	Pages 25, 29-34
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	Page 27
<b>Social: Labour Practices and Decent Work Standards</b>			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	◎	Page 37
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	◎	Page 17
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	●	Page 17
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	●	Pages 6, 39
<b>Social: Society</b>			
SO1	Percentage of operations with implemented community impact, development and engagement programs	◎	Pages 20-21
SO5	Public policy positions and participation in public policy development and lobbying	●	Page 11
<b>Social: Product Responsibility</b>			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	●	Pages 29-34
PR3	Product labelling required by procedures and % of products complying with requirements.	●	Pages 31, 33

\*Pages referenced are in this Report, other sources as indicated



# WHERE WE OPERATE



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